IDEAS ON LIBERTY

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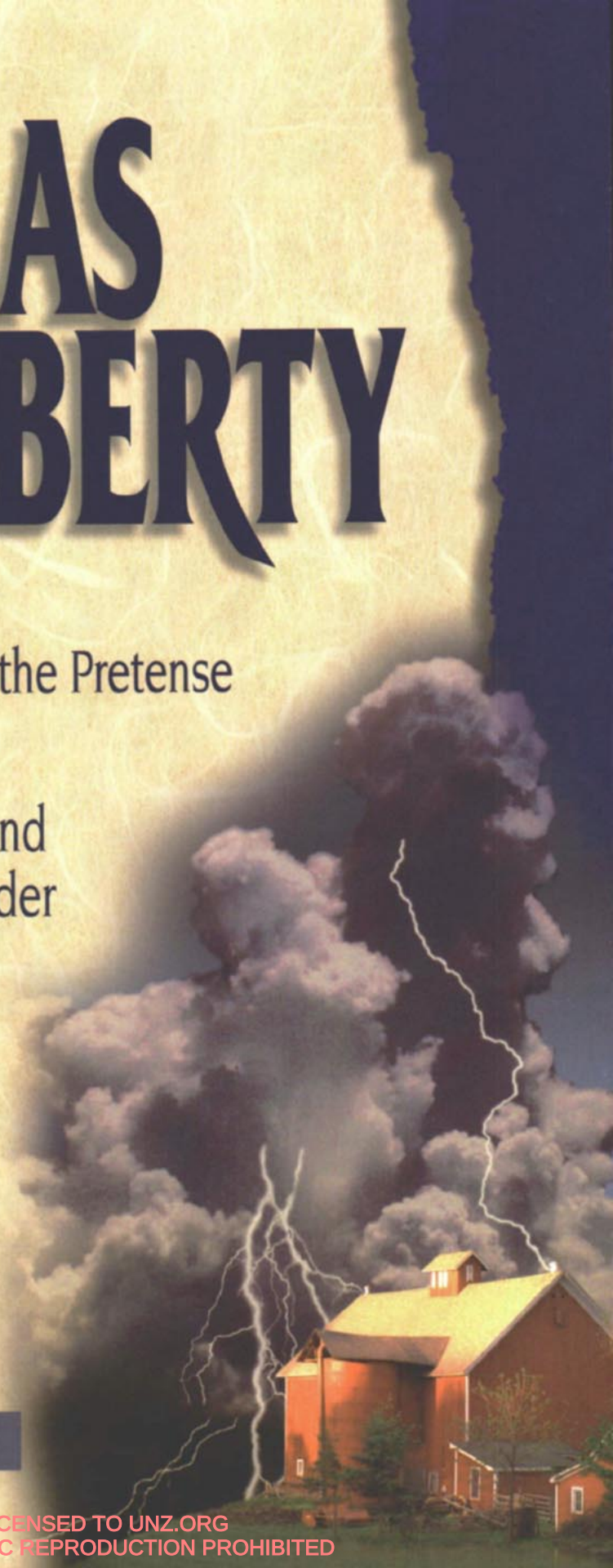
- Black Innovators and Entrepreneurs Under Capitalism
- A "Family" Crisis at the U.N.
- Mark Skousen: From Candlestick to Lighthouse



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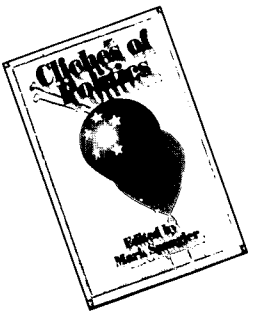

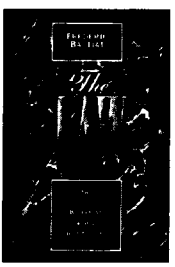

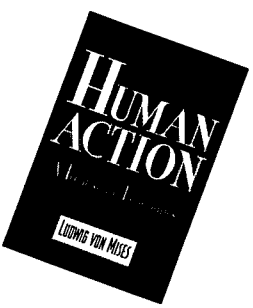

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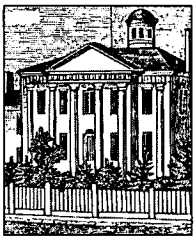

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President: Mark Skousen

Editor: Sheldon Richman

Managing Editor: Beth A. Hoffman

Editor Emeritus
Paul L. Poirot

Book Review Editor
George C. Leef

Editorial Assistant
Mary Ann Murphy

Columnists
Charles W. Baird
Doug Bandow
Donald J. Boudreaux
Dwight R. Lee
Lawrence W. Reed
Russell Roberts
Thomas Szasz
Walter E. Williams

Contributing Editors

Norman Barry
Peter J. Boettke
Clarence B. Carson
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Joseph S. Fulda
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Bound volumes of *The Freeman* are available from The Foundation for calendar years 1972 to 1999. The magazine is available in microform from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106.

PERSPECTIVE

Stop the Presses!

This just in: The law of supply and demand works.

That seems to have come as a surprise to many people. Back in July, at the height of the summer driving season, the gasoline prices that had everyone so upset were—falling! As Associated Press reporter Lisa M. Collins wrote on July 17:

> Dire predictions of $3-a-gallon gasoline this summer haven't materialized, with many parts of the country seeing lower prices at the pump than a year ago.
>
> The reason: an *unexpected* abundance of supply as the oil industry rushed to cash in on the high prices. [Emphasis added.]

Let me make sure I understand this. Is the AP saying that gas prices fell *because* the greedy oil companies took advantage of high prices? Consumers benefited from the lust for profit? Say it ain't so! Next they'll be reporting that somewhere a dog bit a man.

Notice the word I highlighted in the quotation above: unexpected. Unexpected by whom? I have a feeling that the larger supply and falling prices were not unexpected by the readers of this magazine. Nor should they have been unexpected by anyone with even a passing acquaintance with the law of supply and demand. What could be less newsworthy than a rising price luring entrepreneurs to bring more product to market, with the ensuing competition driving down prices?

If the AP writer didn't expect that to happen, perhaps her supervisor should bring this up at her next salary review.

You'd think that the falling prices would exonerate those perennial villains, the oil companies. When prices spiked, politicians of both parties had a heyday accusing them of engaging in a conspiracy against the public. It turned out there was no conspiracy. (See Ben Lieberman's article inside.) So they are good guys now, right?

Not so fast. The oil companies may be engaged in a more insidious plot. Bringing

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down gas prices threatens to . . . derail the Bush administration's energy strategy. As the *New York Times* reported in mid-July: "As the Bush administration begins a campaign-style push to drum up support for its energy plan this week, the sense of crisis that had propelled the plan forward has receded while energy shortages ease and fuel prices fall, at least for now." Oops.

But the Bush plan is thought to be just a big favor to the oil companies. So why would they want to derail it? There are two possibilities. Either Bush's interventionist plan isn't to the companies' liking after all, or they just can't help lowering prices under competitive pressure. I'll leave it to the wise folks in Washington to figure it out.

* * *

The rise in gasoline prices earlier this year led to a variety of explanations, including collusion among the oil companies. What was really behind the spike? Ben Lieberman has the scoop.

The irony of the price rise is that many of the complainers in the public-policy world *favor* higher prices, through taxes, to discourage the use of gasoline. Roy Cordato dismantles their claims that higher gasoline taxes would boost the price to its "correct" level.

Discussions of race nearly always rest on the premise that black Americans cannot progress economically until racism is eradicated. If so, asks Andrew Bernstein, how did the great black entrepreneurs of an earlier period make it?

Sometimes economic wisdom is found in the unlikeliest places. Ralph Hood provides an example.

"Public" libraries are taken for granted. But Chris Cardiff wants to know if that is really a proper function of government.

Does your auto insurance policy cover intentional collisions? That would make as much sense, writes Ross Levatter, as another kind of insurance most people have.

The government assumes the role of champion of the defenseless whenever a business can be even remotely implicated in an ailment perhaps caused by a poisonous substance. But how good is the state in owning up to its own toxic offenses? Not very good, says Bruce Benson.

Critics of classical liberalism inevitably argue that individual freedom must be tempered by the interests of the community. Tibor Machan investigates whether that is really a coherent claim.

If someone gets a government subsidy, does fairness lie in giving someone else a subsidy too? Andrew Morriss is skeptical.

Some outspoken conservatives fear that the United Nations has launched an assault on the family. Wendy McElroy examines their charges.

Does the name Powel Crosley ring a bell? Probably not—which is a shame, considering his achievements. Anthony Young fills this gap in our knowledge.

Also in this issue, Mark Skousen reflects on new beginnings for FEE. Lawrence Reed defends SUVs. Doug Bandow says it's time for Europe to stand on its own 1,500,000,000 feet. Dwight Lee sees a better way to limit air pollution. Donald Boudreaux distinguishes simplistic from simple-sounding answers. Walter Williams describes the market as a conflict-resolution device. And Alex Tabarrok, hearing the call for price caps on energy, responds, "It Just Ain't So!"

Books coming under scrutiny this month deal with global warming, Ludwig von Mises's *Human Action,* the nature of freedom, government efforts to end poverty, the flouting of the Constitution, and politically correct speech.

—SHELDON RICHMAN

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From The President's Desk

by Mark Skousen

FEE's Goal: From Candlestick to Lighthouse

"Those of us interested in an improved perception, awareness, consciousness of the freedom philosophy on the part of others have only to increase our own candle power."

—LEONARD E. READ[1]

Becoming the president of the Foundation for Economic Education fulfills a lifelong desire of mine to excise bad thinking from the public arena and promote the principles of liberty and sound economics. As a youth in the 1960s I read *The Freeman* (now *Ideas on Liberty*) and was introduced to the brilliant ideas of Ludwig von Mises, Friedrich Hayek, and Henry Hazlitt. Even while in high school I had no problem deciding what my college major would be: economics. From the moment I took my first economics class, I was disturbed by the degree of misconception and ignorance on the subject. As Hazlitt stated, "Economics is haunted by more fallacies than any other study known to man."[2]

In my odyssey to find truth and dispel error, I went on to obtain a bachelor's, master's, and doctorate in economics. Under the personal encouragement of Murray N. Rothbard and Milton Friedman, I wrote my dissertation at George Washington University on sound money, specifically, the 100 percent gold standard (later to be published by FEE under the title *Economics of a Pure Gold Standard*).

I made my first visit to the 34-room mansion in Irvington, which serves as FEE headquarters, in 1974, and later met FEE's founder and president, Leonard Read, at a reception in Washington, D. C., where I was working as editor of *Personal Finance* newsletter. Although I never met Mises, I interviewed Hayek in 1986. In researching my economic books, I have read the writings of and worked with top economists of the Austrian, Chicago, Supply Side, New Classical, and Public Choice traditions. In my many travels over the past 30 years I've become familiar with the great free-market think tanks, such as the Cato Institute, Heritage Foundation, and the Institute of Economic Affairs. For the past eight years, at the invitation of former president Hans Sennholz, I have written a column for this magazine titled "Economics on Trial."

After my election as president on August 20, I took the time to review some of Read's writings, as well as Mary Sennholz's insightful biography, *Leonard E. Read: Philosopher of Freedom,* published by FEE in 1993. Read's most famous book is *Anything That's Peaceful,* published in 1964 and recently reprinted. I highly recommend it (to order a copy, call Laissez Faire Books at 800-326-0996 and tell them you are a FEE customer).

Chapter 11 contains Read's essay "I, Pencil," which Milton Friedman popularized with his book and television program, *Free to Choose*. Read tells the story of how an ordinary pencil is made, describing the behind-

Mark Skousen (mskousen@fee.org) is president of the Foundation for Economic Education.

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the-scenes cooperative efforts of millions of workers, landowners, capitalists, and entrepreneurs. Read comes to this startling conclusion: "There isn't a person on earth who knows how to make even so simple a thing as a pencil."[3] He confirms the "invisible hand" doctrine espoused by Adam Smith, that the profit-seeking actions of independent self-interested individuals coordinate the activities of millions of people in such a way as to make everyone better off.

Our Mission: It's FEE Simple

The genius of Leonard Read was his ability to take simple everyday examples and use them to illustrate powerful economic doctrines that the common citizen can easily understand and then apply in ordinary life as worker, businessman, citizen, and voter.

There are many simple but powerful principles—incentives, freedom of choice, thrift—that everyday citizens can use to improve their lives and their government.[4]

Read taught that every organization should have a "strong clear purpose." I agree. FEE's mission is to accelerate—and I do mean accelerate—Read's vision of expounding free-market economics for everyman through our monthly magazine, seminars, and special events. We'll leave the erudite high theory, advanced mathematics, and in-depth empirical studies to other scholars. Our goal is to advance the basic concepts of the free market to the general public.

We have a lot of work to do. FEE is not as well known as it should be. But that is about to change. As your new president I will do everything in my power to make FEE a household name like the AARP or NRA. To accomplish this task we need your help. If Leonard Read were alive today he would not mince words: "Spread the word. . . . Increase your own candle power. . . . Be enthusiastic supporters of the freedom movement."

There are an almost unlimited number of "good causes" you can support today. FEE was the first free-market organization, but it now competes with hundreds of think tanks, lobbying groups, and political action committees. Read didn't believe in political lobbying, or endorsing legislation or political candidates, and here's why. He knew that that you don't change the politicians until you change the people who elect them.

No educational foundation is better equipped to teach basic economics to the world than FEE. Now is the time to jump aboard. With your generous assistance we will make a *huge* difference. We are considering many new ideas, such as mailing to millions a four-color illustrated magazine highlighting the best articles from *Ideas on Liberty* (something you can give to your friends); developing a first-class interactive fee.org Web site; sending well-known speakers to college campuses; starting a Web site that ranks the top economics textbooks; holding our first FEE national convention; and linking up with investment conferences and similar events. All this takes money. I urge you to donate whatever you can give for this great cause. A $100 contribution makes you a "Friend of FEE."

I have personally committed my time and financial resources to this cause. Won't you join me? To quote Leonard Read's favorite scripture: "Ye are the light of the world. . . . Let your light so shine before men that they may see your good works" (Matthew 5:14–15). FEE has been a burning candle for many years. Now let's magnify its light as a beacon on a lighthouse. □

1. Leonard E. Read, *Then Truth Will Out* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1971), p. 130.

2. Henry Hazlitt, *Economics in One Lesson,* 2nd ed. (New York: Arlington House, 1979), p. 15.

3. Leonard E. Read, *Anything That's Peaceful,* 2nd ed. (Irvington-on-Hudson N.Y.: Foundation for Economic Education, 1998 [1964]), p. 135.

4. I once put them all together on one page. See *The Freeman: Ideas on Liberty,* January 1997, pp. 50–51. Reprinted at www.mskousen.com.

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IDEAS ON LIBERTY
OCTOBER 2001

Price Caps on Electricity Are a Good Idea?

It Just Ain't So!

Will price controls solve the California electricity crisis? Did price controls solve the oil crisis of the 1970s? Did price controls make apartments easily available in New York City? Of course not. Despite the reputation of having earned a gentleman's C at Yale, President Bush must have been paying attention in Econ 101, since he correctly explained to California Governor Gray Davis that price controls "do nothing to reduce demand, and they do nothing to increase supply." That of course was before his new appointees to the Federal Energy Regulatory Commission (FERC) placed price controls on power in 11 Western states.

But is Econ 101 really applicable here? Isn't electricity different? It's true that electricity is expensive to store and if supply doesn't equal demand at all times the electric grid can short. As a result, when supply is running dangerously close to demand electricity prices can increase dramatically. Neither of these technical facts about electricity, however, prevents a market in electricity from performing well. To avoid price spikes, for example, electric utilities can own their own generators or enter into long-term contracts with outside generators. (Utility-owned generators and long-term contracts were heavily discouraged in California's 1996 electricity "deregulation" plan.) The unique aspects of electricity will also not alleviate the detrimental effects of price controls.

Price controls on electricity, even the "soft" caps imposed by FERC, so-called because they are based on costs and are not fixed at a hard number, will have all the usual effects on the supply side, including a reduced incentive to invest in new generation plants. (Governor Davis's threats to take over generators and claw back refunds have also not helped to encourage new investments.) On the demand side, however, it is true that the new price caps will not have the usual effect of reducing the incentive to conserve. The reason? Retail prices are already controlled!

The California electricity crisis is a great illustration of Ludwig von Mises's famous dictum that controls lead to further controls. California first ran into trouble when in the spring of 2000 the market-driven wholesale price of electricity rose above the government-controlled retail price. The major California utilities, Pacific Gas and Electric and Southern California Edison, started to hemorrhage money as they were forced to buy high and sell low. Here, before costs began to skyrocket, was an ideal moment to scrap retail price controls. But instead of decontrolling retail prices, Governor Davis insisted that controls be maintained and vainly promised that retail prices would not increase. (His promise was soon retracted; the government increased but did not free retail prices.)

Rather than repealing retail price controls, which would have nipped the electricity crisis in the bud, the first response of California's Independent System Operator (ISO) was to cap the price of wholesale power. But California's ISO could not cap the price of electricity in other states, so electricity generators responded by selling their power elsewhere. The caps increased exports of electricity from California to other states just when California needed electricity the most! Whenever a state program fails, politicians try a federal program. The latest attempt to regulate prices, therefore, comes from the FERC, which has regulated prices in all 11 states in the western power grid. History does not bode well for this new intervention.*

*Editor's note: On July 4, shortly after this article was written, the *San Francisco Chronicle* ran this front-page headline: "Federal Price Limits Backfire."

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PG&E Goes Bankrupt

As a further consequence of Governor Davis's decision to maintain retail price controls, Pacific Gas & Electric, a California institution for nearly 150 years, was forced into bankruptcy. With Southern California Edison also lying on the verge of bankruptcy and with real deregulation left off the table, the state had little recourse but to replace the utilities as a buyer of electricity. Ironically, one of the first acts of the state was to enter into a series of long-term contracts, the same sorts of contracts it had previously discouraged! (The state, however, is not a savvy buyer and early indications suggest that California has paid too much for its long-term contracts.) Since the wholesale price continued to exceed the retail price, the state too was required to buy high and sell low—thus explaining why Governor Davis has been anxious to see price controls placed on wholesale power.

Retail price controls led to the bankruptcy of the utilities, the state takeover of wholesale electricity purchases, failed wholesale price controls by the state, and now federal wholesale price controls. Governor Davis has already indicated that he wants the state to take over the transmission lines of Southern California Edison (in return for lifting it out of a grave the government dug); if we continue to follow this path California may end up nationalizing, or rather statizing, most of the electricity market—to the detriment of electricity consumers and taxpayers.

How can we get out of this mess? We must begin by ending the vicious cycle of controls' leading to further controls. Both wholesale and retail prices should be freed. When the electricity consumer examines his current bill he may feel lucky that retail prices have been held below the wholesale price, but he shouldn't forget that the reprieve is only temporary. The difference between the wholesale and retail price of electricity is currently being paid by the state. Thus what electricity consumers save in electricity costs today they must pay for in higher taxes tomorrow.

Freeing prices is not enough, however. At the heart of the crisis lies the fact that until recently California had not approved a major power plant in over a decade, the same decade that saw the boom of the electricity-guzzling Internet and also increased immigration to California. It doesn't take an Adam Smith to figure out that when demand increases and supply remains the same, prices will rise. In addition to freeing prices, therefore, California must also cut green tape so that new power plants can be built.

Regardless of the severity of the electricity shortage, it's clear that California's dimmest bulbs reside in its capital. □

—Alexander Tabarrok
(ATabarrok@independent.org)
Vice President and Director of Research
The Independent Institute

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Gasoline Prices— Why So High Last Spring?

by Ben Lieberman

Gasoline prices rose an average of 31 cents per gallon between late March and May of this year, with consumers in some parts of California and the upper midwest paying more than two dollars well into June. As with other recent gas-price spikes, policymakers are debating why such increases occur and what can be done about them.

In Washington most of the attention has focused on allegations of illegal conduct by the oil industry. Consequently, there have been several federal investigations of alleged collusion and price gouging, and two Federal Trade Commission reports on previous gasoline price increases have recently been released. However, these reports point away from industry conduct as the cause of the price increases.

At the same time, evidence is emerging that the growing federal regulatory burden is having a substantial effect on gasoline prices and is a major factor in the volatility seen in recent years. In particular, the regulations promulgated under the Clean Air Act, which both dictate the composition of gasoline and place limits on the refining infrastructure, are a major contributor to the high prices today.

Fortunately, these laws and regulations were created by the federal government and can also be reformed by the federal government. Congress, working with the administration, can cut the red tape and reduce the price of gasoline, yet still provide the environmental protections the American people demand.

Before 1990 the composition of motor fuels was not extensively regulated by the federal government. Other than the phaseout of leaded gasoline and a few other measures, the 1970 Clean Air Act focused on reducing motor-vehicle emissions by regulating the vehicles themselves. As a result, even with substantial increases in vehicle miles traveled, overall motor-vehicle emissions have declined substantially, as have ambient pollution concentrations.[1] It should be noted, however, that these positive air-quality trends predate the passage of the Act, indicating that state and local controls were playing a role before they were pre-empted by the federal government.[2]

The emphasis changed somewhat with the 1990 amendments to the Clean Air Act, which contain extensive motor-fuel regulations. Specialized blends, namely reformulated gasoline and oxygenated gasoline, were mandated for certain areas of the country. The Act also set standards applicable to conventional gasoline, and granted the EPA administrator broad discretion to create additional fuel specifications.[3] These provisions were aggressively implemented by EPA administrator Carol Browner during the Clinton administration. At the same time, California and other states and localities began to set fuel requirements of their own, often to obtain EPA approval of their State Implementation Plans (SIPs). A decade ago gasoline was a national commod-

Ben Lieberman (blieberman@cei.org) is senior policy analyst with the Competitive Enterprise Institute in Washington, D.C.

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ity, but today there are many distinct types of motor fuels in use.

Perhaps most problematic of these provisions was the requirement for reformulated gasoline (RFG), designed to fight smog.[4] RFG is mandated for the nine smoggiest areas of the country as well as any other area determined to be in severe non-attainment for ozone.[5] In addition, several other areas of the country have opted into the program. In total, nearly one-third of the nation's fuel supply is RFG.

The RFG program first took effect in 1995. RFG must meet several compositional requirements and performance standards designed to make it cleaner burning than conventional fuels. The EPA used its discretion to set standards for RFG that are more stringent than those set out in the Act.[6] In addition, there are separate RFG formulations for northern states and southern states, and summer-specific requirements applicable between June 1 and September 15 of each year.

More stringent requirements for RFG took effect in 2000 (RFG II), with particularly tough summer requirements. In recent months, RFG has ranged from 14 to 22 cents per gallon more than conventional gas.[7]

For What Benefit?

Despite the higher cost, there are questions about the environmental benefits of using RFG. Although mandated primarily to help reduce ozone, the primary constituent of smog, it is unclear, despite more than five years of use, whether RFG has made a difference. A 1999 National Research Council report concluded that "although long-term trends in peak ozone in the United States appear to be downward, it is not certain that any part of these trends can be significantly attributed to the use of RFG."[8]

In contrast to its questionable air-quality record, RFG has clearly caused concerns about water quality. The Clean Air Act requires that RFG contain 2 percent oxygen content by weight. This necessitates the addition of so-called oxygenates, usually methyl tertiary butyl ether (MTBE) or ethanol. Compared to ethanol, MTBE is cheaper and easier to incorporate into the fuel supply, and has become the oxygenate of choice in 85 percent of RFG. A few midwestern markets, including Chicago and Milwaukee, use ethanol as the oxygenate.

Over the past several years, MTBE in RFG has contaminated water supplies throughout the nation, leading to phaseouts in California, New York, and other states, and federal bills to reduce or eliminate the use of MTBE in motor fuels.[9] In 1999 the EPA issued a report calling for reduction in MTBE use in fuels because of its effect on water supplies.[10]

Despite the impending state bans on MTBE, the Act still mandates oxygenates in RFG. The Bush administration recently denied a request from the state of California to waive the Act's oxygen-content requirement.[11]

If MTBE is phased out in these states (or nationwide), but Congress does not repeal the 2 percent oxygen-content requirement for RFG, the law would amount to a de facto ethanol mandate. This would almost certainly raise the average cost of RFG in the years ahead.

Beyond RFG, there are other requirements that dictate the composition of gasoline. There is an oxygenated fuels program, applicable in the winter months in areas not in attainment with the federal standard for carbon monoxide.[12] As with RFG, oxygenated fuels cost more than conventional gasoline.

In addition to specialized blends, conventional gasoline is also regulated. Like reformulated gasoline, there are regional and seasonal differences. For example, the EPA has promulgated state and month-specific requirements for Reid Vapor Pressure (RVP), a measure of how readily fuel evaporates.[13]

Balkanizing Effect

The price differential between RFG and conventional gasoline is substantial, but it represents only part of regulatory costs of gasolines. Conventional fuel is also subject to regulations that increase its price. However, the emerging problem is not so much the higher price of individual blends but the balkanizing effect of so many distinct gaso-

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line recipes simultaneously in use. In 1999 the Energy Information Administration noted that "the proliferation of clean-fuel requirements over the last decade has complicated petroleum logistics," and predicted that "additional clean fuels programs could make the system more vulnerable to local outages and price spikes."[14] In fact, one pipeline operator reports having to handle 38 different grades of gasoline.[15] Many of these blends have to be refined, shipped, and stored separately from others.

At the same time that demand for motor fuels has grown and the challenge facing refiners to comply with gasoline requirements has never been greater, a number of regulatory constraints have impinged on refinery capacity. In fact, no new refinery has been built in the United States in the past 20 years, due in part to market forces but also to the Clean Air Act's New Source Review (NSR) and New Source Performance Standards (NSPS) programs.[16] Under these programs, both the construction of new refineries and major modifications to expand capacity at existing refineries are subject to strict procedural and substantive requirements.

The year 1997 represented a turning point of sorts for domestic-refining capacity. Over the past decade capacity increased modestly through expansion at existing facilities. But during the summer of 1997, refineries were operating full out, yet still could not keep up with demand.[17] The United States has experienced occasional refining shortfalls since. Currently, refineries are operating at 96 percent utilization, essentially maximum, with little or no margin for error. With only slight capacity growth at existing facilities projected through 2002, the refinery capacity problem will not be quickly resolved.[18]

Unfortunately, in 1999 the EPA announced a new and more aggressive interpretation of NSR and NSPS as it applies to refineries and coal-fired electric power plants. Previously, routine maintenance at industrial facilities had been exempt from these requirements, while major modifications were not. By retroactively redefining as major modifications many facility projects—most of which were known to EPA when they were performed and treated as routine maintenance at the time—the agency now argues that many refineries were not operating in compliance with the law. This enforcement initiative will further complicate any attempts by the refining industry to meet future demand. The National Petroleum Council, an advisory committee to the secretary of energy, has warned that this "[r]einterpretation of NSR rules will significantly hinder the industry's ability to continue its historical expansion rate."[19]

Clearly, the many regulations already implemented under the 1990 amendments to the Clean Air Act are contributing to the volatility and high prices at the pumps. In addition, several more regulations are scheduled to take effect in the years ahead, which will further complicate petroleum logistics and increase the burden on the driving public.

Most significantly, EPA recently finalized new rules that will mandate substantial reductions in the sulfur content in gasoline and diesel fuel.[20] These rules are predicted to add to the cost of motor fuels.[21] In addition, they are already having an effect on refinery operations. Despite current capacity shortages in the midwest, one Chicago refinery recently shut down, in part because of the prohibitive costs of the overhaul necessary to comply with these new sulfur rules.[22] The National Petroleum Council "expects that individual refinery shutdowns will likely continue to occur in the future."[23]

Further complicating matters is the controversial new National Ambient Air Quality Standard (NAAQS) for ozone, which was promulgated in 1997 but held up by legal challenges.[24] If implemented, this standard will result in many counties in attainment with the current ozone standard going out of attainment, which would place even more severe operating burdens on refiners and may increase the number of areas using RFG or other specialized blends.

Recent Price Spikes and the FTC Report

The pattern of recent price increases is a reflection of this costly regulatory burden.

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Indeed, the when and where of the greatest gasoline price spikes match almost exactly with the when and where of the most burdensome regulations. The largest increases tend to occur in April through June. For example, this is the second year in a row that Chicago has experienced a late spring/early summer surge to two dollars per gallon. This is due, in substantial part, to the added complication of moving from winter-fuel specifications to summer specifications, at the time of year when demand is picking up.[25] This has been a particular challenge since the stringent new summer requirements for RFG II have been in effect.

The location of the sharpest price increases, California and the upper midwest, is also traceable to the regulatory burden. These two parts of the country face unique and challenging fuel standards.[26] In addition to the federal RFG program applicable in Los Angeles, Sacramento, and San Diego, California, has instituted its own, more stringent RFG standard applicable in several other areas of the state.[27] Parts of the upper midwest have opted to use ethanol in RFG, which has posed problems since the new RFG II standards took effect last year.[28] Both areas also have tight local refining capacity, therefore only a relative handful of refineries make these specialized blends. Even a single incident resulting in downtime at one facility has caused supply shortfalls and price jumps in these areas. And once a price spike begins, these unique fuel requirements tend to prolong it, because excess supplies from neighboring areas cannot be brought in and sold.

The final report of the FTC investigation into the early summer 2000 midwest gasoline price spike further underscores the role of regulations.[29] Launched amidst allegations of illegal oil-industry conduct last summer, the report nonetheless "uncovered no evidence of collusion or any other anti-trust violation."[30] While exonerating the industry of illegal conduct, the report listed refinery production problems, pipeline disruptions, and low inventories as the primary factors behind the price increase. These factors are directly or indirectly related to the regulatory burden, particularly the new RFG II requirements.

In addition, the FTC recently concluded an investigation of earlier gasoline price increases in California and other western states. It also found no evidence of illegal activity by refiners.[31]

The FTC's findings were corroborated by the Energy Information Administration and Congressional Research Service, which both found that the new RFG II requirements and other rules were substantial contributors to the 2000 midwest gasoline price increases.[32] The Congressional Research Service estimated that as much as 25 to 34 cents of the per-gallon cost were due to the new RFG II requirements.[33]

What Needs to Be Done

The Bush Administration's National Energy Policy contains several recommendations that, if properly implemented, will go a long way toward ensuring that future gasoline prices are as affordable as the market will allow. In particular, the plan directs EPA to study ways to reduce the proliferation of differing fuel requirements and increase the fungibility of the nation's fuel supply.

President Bush has also recommended that EPA and the Department of Energy consider ways to streamline the regulations that are impeding refineries from expanding to meet demand. The President has also urged a reassessment of the EPA's new interpretation of New Source Review.

Further, the federal government should also reconsider past efforts to micromanage the gasoline supply. Specifically, the requirement that RFG contain 2 percent oxygen content by weight is largely unnecessary to reduce smog, but complicates the logistics of supplying RFG and increases the price at the pumps. The federal government should not dictate the specific ingredients and recipes by which clean-air goals are met. Congress should amend the Clean Air Act by eliminating the 2 percent oxygen-content requirement.

In addition, EPA and Congress must reconsider some of the costly new fuel regulations scheduled to take effect in the years ahead, such as the strict gasoline and diesel sulfur standards. Otherwise, the already-bad situa-

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tion facing the driving public will only get worse. □

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2. Indur M. Goklany, *Clearing the Air: The Real Story of the War on Air Pollution* (Washington, D.C.: Cato Institute, 1999).

3. The Act states [42 USC §211(c)]: "The Administrator may, from time to time . . . control or prohibit . . . any fuel or fuel additive . . . if in the judgment of the Administrator any emission product of such fuel or fuel additive causes, or contributes, to air pollution which may reasonably be anticipated to endanger the public health or welfare."

4. Clean Air Act, 42 USC §211(k).

5. This includes areas in and around Baltimore; Chicago-Gary-Lake County in Illinois, Indiana, and Wisconsin; Hartford, Conn.; Houston-Galveston-Brazoria, Tex.; Los Angeles-Anaheim-Riverside, Calif.; Milwaukee-Racine, Wis.; New York City, Philadelphia; Sacramento; and San Diego.

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Energy Taxes and the Pretense of Knowledge

by Roy Cordato

"[T]he current net tax per gallon [of diesel fuel] is 13 percent of the price, while the environmental cost per gallon is 50 percent of price. The tax on this fuel could be raised substantially to promote its efficient use."[1]

Typically economists oppose excise taxes on the grounds that they distort market prices and lead to a misallocation of resources. But to most economists, energy, particularly energy that is derived from fossil fuels (coal, oil, and natural gas), is seen as an exception. In fact, as evidenced in the statement above, to the extent that the generation of energy imposes unwanted negative effects on society, such as pollution, it is argued that taxes on the production of that energy are called for to enhance the efficient operations of the market. In the face of a new "energy crisis" and increasing levels of propaganda about environmental problems, real and imagined, it is possible, with an assist from "economic science," that "soak the energy wasters" could replace "soak the rich" as the number one rallying cry for new tax initiatives.

Roy Cordato (Rcordato@johnlocke.org) is vice president for research and resident scholar at the John Locke Foundation in Raleigh, N.C.

Support for energy taxes by many economists centers on the economic concept of externalities. Because some energy production generates pollution, the full cost of generating that energy is not being borne by its producers and consumers: there are "external effects." As a result the price of the energy source is said to be "too low" and the amount of it produced is said to be "too high"; the market "fails" to generate the "correct" output at the "correct" price. The standard solution is to tax the energy source to induce the producer to charge the "correct" price and produce the "correct" level of output. Such a tax would, according to the theory, improve economic performance of the economy overall. As one staunch supporter of energy and other externality taxes has argued: "The primary function of such taxes is to make the economy function more efficiently. Through their use we have the opportunity to employ the tax system, not only to raise revenues but also to enhance the operations of the economy."[2]

There are serious flaws in this entire approach to both environmental and tax policy. Ultimately we must ask what is meant by market failure and, implicitly, market success. If certain forms of energy are being sold at the wrong prices and are being produced in the wrong amounts, what would be the correct price and output? Obviously this would have to be known before a tax that would "enhance the operations of the economy" could be formulated and imposed. When all the fancy terminology, graphs, and equations are stripped away,

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the definition of market success that energy tax policymakers are supposed to mimic is so stylized and so contrived as to have no relevance for real-world policymaking.

Knowledge Problems and the Correct Price and Output

The "correct" price and output from this perspective is the one that would be generated under conditions of what is called "perfect competition." This is a world where all market participants have perfect knowledge of all current and future information that relates to their market activities. Within product lines there are no differences between what competitors offer for sale. Markets can be entered and exited costlessly. Finally, there are so many buyers and sellers in any market that no one can have any effect on their selling or buying price. Furthermore, this world is static. Any unanticipated changes in people's preferences, attitudes, technology, or the relative scarcity of resources are assumed away. The correct price and output is the one that will occur when *all* markets are operating under these conditions. So when an economist proclaims that "too much" gasoline is being consumed and, implicitly, that the price of gasoline is too low, he means: relative to the amount that would be consumed and the price that would be paid in a world that looks like the perfectly competitive model. Clearly, by this totally unrealistic and unobtainable standard, all markets fail all of the time.

Once this is recognized, the absurdity of the market-failure case for energy taxes becomes easily recognized. The information requirements that are necessary to impose the "efficiency enhancing" tax are so great as to render the policy impossible to implement. If the desired outcome is the one that will be obtained when all market participants have perfect information of all preferences, scarcities, and technologies, then any policymaker would have to have similarly perfect knowledge. In reality, then, the amount of the tax and the amount of the output reduction that it brings about would necessarily be arbitrary or politically motivated and unrelated to true efficiency considerations.

The market-failure argument for energy taxes, and energy policy in general, is based on what Nobel laureate F. A. Hayek described as a "pretense of knowledge."[3] To implement a tax policy that would improve on market results, the government would have to pretend that it had information it could not possibly possess. For example, gasoline taxes are often argued for on market-failure grounds. Because, it is assumed, the cost of air pollution is not being borne by oil companies and automobile drivers and producers, it is argued that too much gasoline is consumed and the price of gasoline is too low.

What is typically left unstated is that it is too low relative to the amount of gasoline that would be produced and consumed in the idealized world of perfect competition. Simply to know whether this is the case, the government must know how much would be consumed in a world of perfect competition. The government has to have complete knowledge of all the purposes for which individuals in society are using gasoline and the relative importance that they place on those purposes. Furthermore it would have to possess accurate knowledge of the costs that the pollution generated by the gasoline usage imposes on all the individuals in the economy. Ultimately all of this information is subjectively determined and unknowable by outside observers, even economists.

The information requirement becomes even more intractable once the timeless feature of the perfectly competitive world is recognized. To impose the "correct" tax, individual preferences, scarcities—and therefore all costs and benefits—are assumed to be constant. If this were not the case the amount of the correct tax would always be changing as these variables change. But this is not the real world. As time passes, people's preferences and scarcity conditions are continuously changing. Even if we (unrealistically) assume that one could gather the relevant information to impose the correct tax for a given moment, by the time the tax was actually imposed it would be completely out of date.

The argument against the possibility of efficient taxation is essentially the same argument made by Mises and Hayek against the

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possibility of efficient, centralized control of economies in general.[4] Gerald O'Driscoll and Mario Rizzo refer to the implementation of such taxes as "socialism writ small."[5] If a central authority could obtain the appropriate information for improving on market outcomes with regard to levying pollution-and energy-related taxes, then there is no reason why the same authority could not second-guess the market in general. Because of the nature of the information requirements needed to mimic the perfectly competitive results, the central authority would need to know the pattern of these outcomes in all markets, both for a particular moment and as time passes and information changes.

Insurmountable Problems

These kinds of information problems are insurmountable. In spite of this fact, highly respected economists continue to make bold proclamations concerning the appropriate size of such taxes and their effect on the efficient allocation of resources, as evidenced by the statement at the outset of this essay.

The fact is that energy taxes—like all other excise taxes—distort market efficiency, not enhance it. They drive a wedge between prices paid by consumers and those received by producers, with consumers paying more than they would in the absence of these taxes and producers receiving less. Since energy is an input into production processes throughout the economy, this means that everyone's production costs are higher, and output and social welfare are lower.

In addition, such taxes, like all taxes, transfer resources from private to inherently less-efficient public-sector uses, further reducing output and productivity. That is rarely considered by those who claim that energy taxes enhance economic efficiency.

The packaging of energy taxes as good for the economy is a political ploy meant to give tax increases a free ride on the environmentalist bandwagon. We should never be more wary than when anyone, politician or economist, tells us that a tax is "for your own good." Taxes have one overriding purpose: to transfer resources from the private to the public sector. This has never been and cannot be a formula for improving the economy. □

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IDEAS ON LIBERTY
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Don't Bash SUVs

The world is full of people who can't mind their own business and who think they know what's best for the rest of us. If only we'd be smart enough to put them in charge, they figure, the world would be a better, more rationally planned place. Things would run more smoothly and efficiently and nobody's greed would be satisfied at anyone else's expense. The world's scarce resources would be husbanded for the benefit of all.

Yeah, right.

Where have we heard such nonsense before? Certainly, five-year-olds say the equivalent of such things, but they can be excused. By nature, they are self-absorbed, and they've had no formal training in addition and subtraction, let alone the science of economics. It's the adults who think this way that we need to worry about because when they whine or get a bad case of the "gimmes," they can sometimes get the cops to do their dirty work for them. From Robespierre to Pol Pot, from FDR's Brain Trusters to the opponents of sport utility vehicles (SUVs), the world sometimes seems overrun with such do-gooders itching to plan other people's lives.

Sport utility vehicles? How did they get in there, you ask? They are an icon of the American highway, a symbol of capitalism, a manifestation of personal choice and independence. But for those very reasons, they are also the target of attack. While some SUV foes are indeed well-meaning, though often misinformed, there's a more radical and ideological element spearheading the assault. It's made up of the usual anti-market suspects who see SUVs as disgusting, gas-guzzling indulgences, a mark of conspicuous consumption on the part of greedy suburbanites who like to flaunt their extravagant tastes.

"SUVs are hazardous to your health," says Clarence Ditlow, director of the Center for Auto Safety. Public Citizen President Joan Claybrook advises consumers not to buy SUVs. In an ABC News report, Peter Jennings stated that the "government is grappling with what to do about the threat that sport utility vehicles represent to lesser vehicles in accidents." And CBS's Dan Rather reports that SUVs are considered a "killer on the road." The ethics columnist in the *New York Times* Sunday magazine even declared that owning a sport utility vehicle in Manhattan is immoral.

One of many anti-SUV Web sites refers to "the dark side of SUVs: the brown haze of air pollution, weather disasters linked to global warming, and oil derricks chugging away to fill gas tanks."

On the surface, some of the concerns expressed by SUV opponents seem reasonable and plausible. It requires a little digging to understand how bogus their objections really are. How they respond when presented with the facts is especially revealing.

Lawrence Reed (Reed@mackinac.org) is president of the Mackinac Center for Public Policy (www.mackinac.org), a free-market research and educational organization in Midland, Michigan. *The author wishes to thank Peter VanDoren of the Cato Institute for his assistance in preparing this column.*

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Are SUVs really the highway menace portrayed by activists and the media? According to the latest research, safety is actually one reason to buy an SUV.

In the Spring 2001 issue of *Regulation* magazine Douglas Coate and James VanderHoff of Rutgers University examined the relationship between traffic fatalities and "light truck" use from 1994 through 1997. "Light trucks" include SUVs as well as minivans, pickups, and small vans. In their initial analysis Coate and VanderHoff found a positive correlation between light-truck registrations and motor-vehicle fatalities: The greater the number of light trucks in a state per licensed driver, the greater the fatality rate per licensed driver.

National Highway Traffic Safety Administration data show that SUVs are involved in the bulk of rollover fatalities, which comprise nearly a quarter of annual U.S. traffic deaths. More than 60 percent of SUV fatalities are rollovers. Just 40 percent and 22 percent of pickup and car deaths, respectively, involve rollovers.

Take a Closer Look

But when Coate and VanderHoff examined the vehicle-registration and fatality data more carefully, they noticed that both light-truck use and motor-vehicle fatalities are more common in rural states. Once they allowed for the characteristics of rural states, not only did the positive relationship between light trucks and fatalities disappear, it became negative. The evidence seems strong: more light trucks, including more SUVs, mean fewer traffic deaths.

Traffic fatalities per vehicle mile traveled in the United States have plunged nearly 50 percent during the past two decades. SUV critics don't want to credit larger vehicles for that decline, so they point to stiffer penalties for drunk driving, increased seatbelt use, the reintroduction of the 55 mph speed limit in some states, and safety-enhancing technological changes. But even after controlling for all those factors, Coate and VanderHoff find that SUVs have indeed reduced fatalities.

Federal government safety data from other studies indicate a lower fatality rate for SUVs—1.6 per 100 million miles traveled—than for cars. An Insurance Institute study determined that only 4 percent of passenger-car fatalities were the result of crashes with SUVs, even though SUVs comprise a much higher percentage of vehicles on the roads. More than 40 percent of deaths were the result of single-car crashes.

The facts don't sit well with some of the more vocal SUV critics. Claybrook, for example, dismissed the Rutgers study as "poppycock" and "statistical gymnastics," but she has not challenged the study's methodology or offered any other substantive critique. She simply can't accept the notion that as more people drive big, sturdy vehicles, fewer people die in traffic accidents.

What about SUVs being major contributors to alleged global warming because they consume more gas per mile than cars and emit lots of carbon dioxide? Robert Crandall of the Brookings Institution has shown that emissions from *all* new vehicles amount to around two percent of all CO_2 emissions in the U.S. "Changing truck fuel standards is a very inefficient way to address global warming," he argues.

Moreover, critics don't usually account for the fact that driving nine people and their luggage in a Ford Excursion is more fuel efficient than driving two full-size sedans to transport the same load.

Fortunately, Americans are paying more attention to their own positive experiences than to those who criticize SUVs for a living. They continue to buy SUVs and other light trucks in record numbers. Indeed, SUVs comprise 43 percent of the vehicles on the road today. Perhaps those purchasers know instinctively what academic research is just now beginning to prove: SUVs make America's roads safer, even though they rankle some people who would rather plan your life than save it. □

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Black Innovators and Entrepreneurs Under Capitalism

by Andrew Bernstein

The historical injustices against black Americans have been numerous and prolonged. But despite slavery, racism, and Jim Crow laws, many blacks have achieved an exceptionally high level of accomplishment in the United States. It is yet another injustice that the stories of these great black achievers are unknown to most Americans of any race or ethnicity. This is unjust because it ignores the accomplishments of those who have achieved in the face of such adversity, and because it deprives the rest of us of the lessons to be learned from studying their lives.

Many current intellectuals claim that the success of blacks requires elimination of racism. The success of these black innovators disproves such a claim and raises the question of the actual conditions necessary for the rise of a deprecated ethnic minority. A second question to be answered involves the reasons for such widespread contemporary ignorance of the accomplishments of these great black thinkers. Finally, the stories are inspirational in themselves, apart from any educational benefits to be derived from them.

Benjamin Banneker was born in 1731 in Maryland, the child of a free mulatto mother and an African father who had purchased his own freedom. Banneker excelled in mathematics as a student and, after taking over his parents' farm, at agriculture. When a traveling salesman named Josef Levi showed Banneker a pocket watch, the young man was so fascinated that Levi gave it to him. In 1753, using the watch as a model, Banneker carved a wooden clock that kept perfect time, striking every hour for 40 years. It was the first wooden clock ever produced in the United States.

As a freedman, Banneker had the opportunities provided by American liberty but denied to most blacks, and he took full advantage of them. When neighbors introduced him to astronomy, he mastered the science so thoroughly that he predicted the solar eclipse of April 14, 1789, and used his knowledge to publish an almanac that became the main reference for farmers of the mid-Atlantic states. President Washington, aware of Banneker's intellect, appointed him to the six-man team that designed the blueprints for Washington, D.C. When the team's leader, Major Pierre Charles L'Enfant, suddenly resigned and took the plans with him to France, Banneker's photographic memory enabled him to reproduce them in full. His lengthy letter to Thomas Jefferson was so filled with insight that Jefferson changed his mind about the alleged intellectual inferiority of blacks. In tribute, Jefferson sent a copy of Banneker's almanac to the French Academy of Sciences in Paris. "The color of the skin is in no way connected to the strength of the mind or intellectual powers," wrote Banneker, in a statement far ahead of its time.[1]

Andrew Bernstein (rmilano@aol.com) teaches philosophy at Pace University and is working on a book, The Capitalist Manifesto.

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Andrew Jackson Beard is another little-known innovative black thinker. Born into slavery in Alabama in 1849, Beard became a flourishing entrepreneur and inventor after emancipation. He designed new plows and with the profits made on his innovations developed a thriving real estate business. Beard was responsible for several inventions, but his greatest advance was the automatic railroad-car (or "Jenny") coupler, which greatly reduced the risk to workers. It was the forerunner of today's automatic coupler. Beard received a patent in 1897. His story reminds us that despite often bitter racial hatred in the south, some black Americans possessed the extraordinary talent and initiative to succeed there.[2]

The one black genius of that era to achieve enduring recognition, and whose groundbreaking advances were also achieved in the Jim Crow South, was George Washington Carver, who was born a slave in Missouri in 1860. After earning a master's degree from Iowa State in 1896, he received a letter from Booker T. Washington, head of Tuskegee Institute in Alabama, requesting his instructional services. He spent the rest of his life at Tuskegee as an agricultural scientist. He is famous for developing peanuts and sweet potatoes as leading crops, but additionally created a new type of cotton, Carver's Hybrid, and made dozens of other agricultural innovations. His early identification of the need for crop rotation enabled southern farmers to keep their soil productive. At his death, Carver, a lifelong bachelor, left his entire savings to establish a research fund for scientists. For his accomplishments, he is generally recognized as the greatest agricultural innovator in history.

In *The Empire Builders*, historian Burton Folsom notes that in 1850 Michigan created a state constitution that restricted the government's powers, leaving economic development in private hands. Based on its greater degree of economic freedom, Michigan developed into one of the world's leading industrial centers. Not surprisingly it presented opportunities for black entrepreneurs.

Elijah McCoy, for example, was a mechanical engineer who initially worked for the Michigan Central Railroad as a locomotive fireman. He invented a revolutionary device to lubricate a machine's moving parts. His product, the lubricator cup, made it possible to oil machinery while in operation. To distinguish it from cheaper imitations, it became known as "the real McCoy," giving currency to that phrase. He obtained 51 additional patents, including an early version of the ironing board and a cup for imbibing medicine. McCoy patented 51 different automatic lubricators and at age 77, started the Elijah McCoy Manufacturing Company in Detroit to make his various products.[3]

Fred Pelham is another black innovator who thrived in Michigan. Pelham was president of his class at the University of Michigan in 1887, worked as a civil engineer with the Michigan Central Railroad, and built numerous bridges that stand today. He created the innovative skew arch bridge design. "The obstacles facing minority entrepreneurs were substantial," Folsom writes, "but many did overcome them and used their freedom to excel in Michigan's economic life."[4]

Other Innovators

Many other black entrepreneurs took advantage of their freedom in the nineteenth century. Sarah Breedlove was born free in 1867, but was orphaned at age seven, married at 14, and widowed shortly thereafter. She supported herself and her young daughter on the paltry income of a washerwoman. Interested in beauty and hair care, she developed cosmetic products for black women. When she married Charles Walker, she changed her name to Madame C. J. Walker and opened a beauty school that became hugely successful. She invented a hot comb, developed new shampoos and cosmetics, and became the first woman entrepreneur of any race to become a millionaire.[5]

Madame Walker's is one of the most inspiring and (unfortunately) little-known American rags-to-riches stories. But hers is not the only example of black entrepreneurs' capitalizing on America's late-nineteenth-century freedom to prosper. Some black businesses established in that era have been successfully

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Madame C.J. Walker built an opulent estate, Villa Lewaro, in Irvington-on-Hudson, New York. The mansion still stands, a half-mile north of the headquarters of the Foundation for Economic Education.

run by the same families for generations. In 1883, 19-year-old C. H. James started a business in West Virginia by bartering household goods for vegetables and then selling the produce for cash. His business gradually grew from one wagon to a department store on wheels that sold cotton, threads, pots, sugar, and other goods. Catering to predominantly white coal miners, James built his business on the explicitly held principles of dependability, integrity, and a warm personality. By 1918 his company had become the largest wholesale food distributor in the state, with sales in excess of $350,000 a year.

James was a determined individualist who claimed that no one should permit bigotry to deter him from relentless pursuit of business success. In 1918, Theodore Roosevelt wrote to him: "[I have pointed] to you as a man who actually is by his actions and not merely by his words solving the race problem in this country." James's son, E. L., rebuilt the company after the Depression bludgeoned it into bankruptcy, and the business has continued to move forward. Today, the founder's great-grandson, Charles H. James III, has, by means of spinoffs, acquisitions, mergers, and a lucrative McDonald's contract, built the company into a $31 million business.[6]

Further, entire towns and business districts of entrepreneurial blacks flourished in that era of U.S. history. Early in the twentieth century, black Americans established such new towns as Mound Bayou, Mississippi; Nicodemus, Kansas; Langston, Oklahoma; and others. Boley, Oklahoma, had a population of 4,000 at the turn of the century. The town was governed and run by blacks, and boasted, among other establishments, a bank, 25 grocery stores, five hotels, seven restaurants, a waterworks, an electric plant, four cotton gins, a bottling works, a telephone exchange, and a lumberyard.[7]

Tulsa, Oklahoma, and Durham, North Carolina, both had thriving black business communities. In turn-of-the-twentieth-century Tulsa, bigotry denied blacks access to the main business district even as customers, so enterprising blacks turned the Greenwood section of the city into a bustling commercial center. Numerous service industries thrived; black doctors, lawyers, and other professionals maintained offices there; and the neat homes of the middle class "lined Detroit Avenue, reflecting their business or professional success."

In Durham, black entrepreneurs succeeded in manufacturing as well as in service industries, including one of the city's largest brick-producing companies. Here, the white community was not hostile to black success, and white capitalists such as Washington Duke (the tobacco magnate for whom Duke University is named) and Julian Carr were helpful in the establishment of black businesses. In 1898, John Merrick and Dr. Aaron McDuffie Moore established the North Carolina Mutual Life Insurance Company, one of the largest and most successful black enterprises in the history of American capitalism, a firm that 100 years later would employ over 1,000 individuals and boast assets exceeding $200 million. In addition to 150 thriving businesses, Durham's black commercial district was home to an area internationally known as the "Negro Wall Street," a collection of banks and

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insurance companies that represented "one of the most dramatic examples of concentrated African-American financial might this country has ever produced." These financial institutions were so sound that they helped virtually every black business in Durham survive the Depression.[8]

The fates of these black business strongholds are both shocking and revealing. The Greenwood district of Tulsa was burned to the ground by a mob of racist thugs in 1923 in a spree of destruction unrestrained by the legal system. Durham's magnificent black business district was wiped out by the federal and state governments' urban renewal program in the mid-1960s. But Durham's black entrepreneurs made a comeback in the 1980s with the opening of two shopping malls and several manufacturing companies.[9]

Freedom Needed

A despised racial minority needs political and economic freedom, with their concomitant legal protection of individual rights, even more than members of the majority do, for they are potentially subject to vicious physical attack by racists. Even if all whites in the country were so irrational as to fear, hate, and shun blacks, such bigotry would be insufficient to halt black economic progress if the rights of black individuals were legally protected. *Under capitalism, the purpose of the government is to protect individual rights, including property rights.*

Tragically, the Tulsa government failed to operate on this fundamental capitalist principle. The black producers of Tulsa did not need paternalistic government or even its good will; nor did they require an end to bigotry. They required only the protection of their legal rights as U.S. citizens; their own enterprise would take care of the rest. Similarly, in Durham the government itself violated the rights of these black property owners. The absence of capitalism, of a government exclusively and scrupulously devoted to the protection of individual rights, was responsible for the destruction of these black business centers. When the government fails to protect or itself violates individual rights, there is no hope of economic advancement, especially for members of a persecuted ethnic minority. *Statism is necessary to keep a racial minority oppressed.* Under capitalism, most enterprising members of a minority group can overcome any obstacle.

Further proof of this principle is provided by black Caribbean immigrants. The United States received a sizable Caribbean immigration in the early twentieth century, and by 1930 Caribbean immigrants constituted roughly 1 percent of the U.S. black population. Those immigrants, like virtually all American immigrants, tended to be hard-working, entrepreneurial, and frugal. Based on the still-significant element of freedom in the American mixed economy of that era, many Caribbean immigrants opened and operated successful businesses. As Thomas Sowell wrote, "As early as 1901, [the immigrants] owned 20 percent of all black businesses in Manhattan, although they were only 10 percent of the black population there." Despite the existence of anti-black prejudice, by the 1980s Caribbean immigrants had an average income roughly equal to whites, and the second generation had a standard of living greater than the average white American.[10]

Racists Oppose Free Markets

Because racists recognize that the ethnic minorities they oppose will flourish under the political and economic freedom of capitalism, they conduct a relentless war against the free-market system. The antebellum South not only created and supported a legal system that sanctioned the enslavement of blacks, but also mandated that blacks be kept illiterate. Indeed, Sowell wrote, "many Southern states not only refused to educate free Negroes but made it a crime for them even to attend private schools at their own expense." In the postbellum South, Jim Crow legislation made it illegal for blacks to attend the better schools, be hired for the best jobs, or live in white neighborhoods, no matter how qualified the individual.[11] Bigots know that without the coercive power of the state to enforce their prejudices, they are powerless to prevent the advancement of the ethnic minori-

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ties they fear. Capitalism is the bigot's worst enemy.

Additional evidence is shown by the varying rates of black economic progress over the past 60 years. Black Americans moved heavily into the northern cities during World War II and the postwar years. The years between 1940 and 1970 were a relatively free period for America's mixed economy. Because the majority of blacks had lived in the Jim Crow south, where legal restrictions impeded their advancement, the percentage of black families subsisting below the official poverty line was 87 percent in 1940. In the freer North, with better schools and jobs open to blacks, their rise into middle-class prosperity began. By 1960 the number of poor black families had dropped to 47 percent; by 1970, to 30 percent.

Then came massive government intervention in the form of the Great Society welfare state, which Marxist intellectuals and politicians directed heavily toward blacks because of their still-disproportionate poverty. After 1970 expensive government programs proliferated. With increasing numbers of poor urban blacks being seduced onto the dole, the result was predictable: black economic progress slowed drastically. Twenty-nine percent of black families were below the poverty line in 1980; 26 percent in 1995. Today, roughly 50 percent of black Americans are in the middle class, greater than 40 percent live in homes they own and more than 30 percent live in the suburbs. Given the rise of government intervention and the decline of freedom over the past 30 years, one can only wonder how much higher these figures would have been if the freedom of the earlier period had been allowed to continue or be expanded.[12]

There is a prevalent belief today that the success of blacks and other minorities requires elimination of racism. This is false. Though the end of all forms of bigotry is an undiluted good toward which all rational men should strive, it is not a necessary condition of an ethnic or racial minority's success. What is necessary is the legal protection of individual rights, including the right to property, provided by capitalism.

In the past, white racists' fears explained the absence of recognition accorded to the great black innovators and entrepreneurs. But today the statist media and intellectuals claim to support "black empowerment." What then is the current cause of the bizarre public silence regarding the entrepreneurial success achieved by numerous black Americans? Anti-Western, ostensibly pro-black intellectuals have promulgated the myth that Western civilization is a stolen legacy of African culture. In the name of "black pride," they relentlessly push this fantasy while ignoring magnificent black achievers right under their noses. Why? Because their prejudices prevent them from acknowledging the existence of successful black capitalists. In the mythical universe they inhabit, white Western capitalists are exploitative of the poor, the minorities, the Third World. An entire class of successful black American entrepreneurs is worse than impossible in their view. It shatters the Marxist delusions they cling to and brings them face to face with the enormous benevolence of capitalism.

In the name of justice, the prejudices of both white racists and Marxist intellectuals must be swept aside. Capitalism is the Great Liberator. □

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6. Derek T. Dingle, *Black Enterprise Titans of the B.E. 100s* (New York: John Wiley and Sons, 1999), pp. 174–91.
7. Robert Woodson, ed., *On the Road to Economic Freedom* (Washington, D.C.: Regnery Gateway, 1987), pp. 5–6.
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11. Thomas Sowell, *Markets and Minorities* (New York: Basic Books, 1981), pp. 85–86.
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IDEAS ON LIBERTY
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"No Bad Thing at All"

by Ralph Hood

One of the best observations I ever heard on the free market came from a redneck aircraft mechanic named Claudie.

It was sometime back in the seventies at Huntsville (Alabama) Aviation Corporation. I sold airplanes; Claudie fixed them. I walked into the shop one day and Claudie was using the first electric screwdriver I had ever seen in action. Claudie was always fast, and the electric screwdriver made him even more so. I watched in awe as he removed screws from the wing of an airplane.

"Brrt," went the screwdriver, and one screw was out. "Brrt, brrt, brrt," and three more were out. I was amazed.

"Claudie," I said, "that thing saves a lot of time, doesn't it?" I'll never forget his answer if I live to be a hundred.

Without missing a beat, Claudie and the screwdriver answered: "(Brrt, brrt, brrt) It don't save me no time (brrt, brrt, brrt). I was workin' eight hours a day before, and I'm still working eight hours a day (brrt, brrt, brrt)."

"Well," I opined, "it's saving the company time."

"Naw it ain't (brrt, brrt, brrt). They still payin' me for eight hours a day, just like before (brrt, brrt, brrt)."

As I pondered that, Claudie made that aforementioned commentary about the free market.

"I reckon," said Claudie, "it ain't saving nobody but the customer, 'cause the customer's gettin' his airplane fixed quicker and cheaper."

I reckon he was right, and I wonder: Has it ever been put better by any college professor? I don't think even Milton Friedman ever put it better.

Consider the hi-tech revolution. Remember when it was going to give us a four-day workweek, eliminate paper, and make profits easy to come by? What happened? Hi-tech did indeed increase productivity and save costs. Then, just as in the industrial revolution, competition forced business to pass those savings along to the customer.

I taught aviation management back in the eighties. On the first day of class I told my students about the first electronic calculator I ever saw. It would add, subtract, multiply, and divide, and it cost several hundred dollars. I couldn't afford one. Then I showed the students a calculator I had recently bought for eight dollars. It was smaller and would do more. Everyone could afford one. "What," I asked them, "made the price drop?"

That first day, every student responded with enthusiasm that "technology" made the price drop. "Nope," I told them, "technology *allowed* the price to drop. Competition *made* it drop." Then I told them about Claudie and the electric screwdriver.

Throughout history, the free market has passed to consumers the benefits of technology. As Claudie might have said, "That ain't no bad thing at all."* □

Ralph Hood (hoodspeak@cs.com) is a writer in Huntsville, Alabama.

*Claudie, by the way, is no longer a redneck mechanic. Now the maintenance director, he wears a tie and plays golf.

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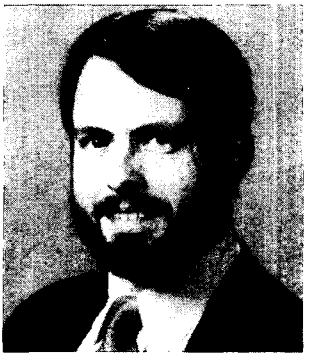

A Maturing Europe?

Although the Bush administration has promised not to withdraw unilaterally from the Balkans, leading Europeans remain nervous about the administration. They recognize his reluctance to continue their continent's free defense ride, especially as the Balkans explode again. It is time Washington expected the Europeans to secure their own interests.

The Clinton administration was good to Europe. It expanded NATO, brokered the deal preserving an artificial Bosnia, managed the war in Kosovo, and deployed a significant garrison in the Balkans. At the same time, it continued to guarantee the security of populous, prosperous states that face no obvious military threats.

Then the pre-election suggestion by National Security Adviser Condoleezza Rice that the American troops might be pulled from Kosovo set off ill-concealed panic across the continent. Lt. Gen. Carlo Cabigiosu of Italy, commander of KFOR, the Kosovo garrison, argued, "politically, no doubt, for the project of restabilizing the Balkans, the U.S. is very important." A host of unnamed European officials whined to American newspapers that Washington's presence was "vital."

Yet at the same moment, European officials were chortling about their newly dynamic economies. Jean-Claude Trichet, governor of the Bank of France, contended: "The European outlook, barring proof to the contrary, is one of growth. In the United States, there are signs of a fairly considerable slowdown." Despite Europe's growing economic difficulties, it is still expected to outgrow America in 2001.

So why must Washington continue subsidizing Europe's defense?

The European Union has a much larger population than and a comparable economy to those of the United States. No other power compares.

The Serbians and Albanian guerrillas certainly can't compete. Europe has 1.6 million men under arms, enough to garrison the entire Balkans if desired. The Europeans' combat effectiveness is far less than that of the United States, but they could remedy that. Indeed, the Europeans are talking of creating a more serious defense capability.

The lack of any genuine security threat in Europe has left NATO enthusiasts to talk about America's "global responsibility" and the importance of being "engaged." At his last NATO ministerial meeting, former Defense Secretary William Cohen sputtered about "unity" and the importance of avoiding an "EU caucus." Jessica Fugate of the Council on Foreign Relations says that NATO is important "so that we are not alone when crises arise."

What kind of crises? Warns Fugate: "risks to European security remain, which are multifaceted and multidirectional, such as international criminal networks, and thus hard to grasp and assess." America must remain the

Doug Bandow, a nationally syndicated columnist, is a senior fellow at the Cato Institute and the author and editor of several books.

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dominant partner in a transatlantic military alliance with 100,000 troops in Europe to fight crime.

No Need to Feel Threatened

The United States possesses the strongest military, largest economy, and most dominant culture on the planet. Rather than feeling threatened by every minor civil war or social disturbance, the American people can feel secure.

Real leadership means devolving security responsibilities on populous and prosperous allies. World War II and the Cold War reflected unusual hegemonic threats that caused the United States to deploy overwhelming military power. And at enormous expense—the latter cost more than $13 trillion in current dollars.

But those conflicts are over, and the defensive capabilities of America's allies have dramatically increased. They haven't bothered to do much more, however. Almost four years ago, Gen. John Sheehan, then Supreme Allied Commander of the Atlantic, warned: "The technological gap between the United States and Europe is growing. Soon the other members of NATO will be little more than constabulary forces, with the United States possessing the only genuine modern army." And he was right. Even the Europeans were embarrassed by their appalling performance in the Kosovo war, fielding just 10 to 15 percent of America's combat capabilities. That reflects lack of effort, not resources.

They won't do more, however, because they don't believe they need to. They perceive the potential risks differently. And most important, they recognize that Washington is determined to protect them even if they do nothing. True, the Europeans are pressing to create a 60,000-man rapid deployment force by 2003. However, such a unit would require real resources, something the Europeans have not been willing to provide so long as they can rely on America.

America's untoward generosity creates another problem. It encourages the Europeans to hand off their problems to America—like the Balkans, which is growing ever messier, with ethnic Albanian guerrillas operating in Macedonia and Serbia.

An expanding European Union is another problem being dropped in the lap of the United States. Last year European Commission President Romano Prodi said, while visiting Latvia, that the EU would issue security guarantees for all EU members, four of which are not members of NATO. Given the absence of any EU military, let alone an effective one, the enforcement burden will inevitably fall on the America people, as would protection of ever-more distant states, such as the nine central and East European countries that have requested admission to NATO in 2002.

Washington should begin devolving security responsibility on others. The Balkans is the obvious place to start. The Europeans argue that they already provide more than 80 percent of the troops and 90 percent of the financial assistance in the region. True, which means that if they think intervention is necessary, they can provide 100 percent without any strain.

And Americans have cause to leave—quickly. Bosnia, Kosovo, and Macedonia are all catastrophes in waiting. There is no reason for the American people, who are forced to carry global burdens, to garrison every local trouble spot—especially when neighboring states have both more interests at stake and sufficient resources to act.

Secretary of State Colin Powell calls NATO "sacrosanct." But an institution so wonderful should be able to adapt to change, both in the threat environment and the resources available to meet any threats.

The Bush administration should begin shedding the defensive responsibilities that have burdened the American people for so long. Then the Europeans, if they so wish, can handle the Balkans' civil wars. □

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IDEAS ON LIBERTY
OCTOBER 2001

The Paradox of Carnegie Libraries

by Chris Cardiff

People with a weak grasp of history are aghast when someone questions one of their fundamental assumptions. Questioning the public-goods theory of government-owned-and-operated libraries seems to shut down a conversation immediately. People leap to the conclusion that you are against libraries and want to eliminate them. Everyone loves libraries—how could anyone be against them?

The real issue is not whether there will be libraries, but whether we need government, even if it's only local government, to provide them. Is it possible to enjoy the benefits of libraries without using the immoral force of government to establish and support them? Tracing the growth and development of libraries throughout history provides alternatives to government ownership and control. As will be shown, the most instructive of these examples is the paradox presented by Carnegie libraries. History also illustrates the dangers to the flow of information and knowledge when governments control libraries.

Libraries were not always as we know them today. Their history is intertwined with the invention of the printing press, the growth of literacy, and other economic factors influencing the supply of and demand for books. On the supply side, for example, Gutenberg's printing press significantly increased the availability of books. And on the demand side, the Protestant Reformation increased literacy dramatically in Europe because of its emphasis on understanding the word of God directly from the Bible rather than through priestly intermediaries.

However, even with the huge increase in books because of the printing press, most families still could not afford them. Into this chasm between supply and demand stepped the free market with several innovations that lowered the cost of accessing books and other reading material.

As Fred Lerner relates in *Libraries Through the Ages*: "By the 18th century, French and British booksellers allowed people to read books in their shops for a small fee, and rented them for home reading. London coffeehouses provided newspapers and magazines for their customers, and sold reading privileges by the hour to those who did not want coffee or beer. Subscription reading rooms offered middle-class readers access to published news and comment in more genteel surroundings, while aristocrats enjoyed the reading facilities of their clubs."[1]

It was a small step from there to the first subscription library in America. Benjamin Franklin led the way in the early eighteenth century. For a reasonable fee subscribers had borrowing privileges for any books in the library. Less than half a century later Franklin's model had spread throughout the colonies. One such subscription library, Mudie's Select Library, charged an annual fee less than two-thirds the price of a single

Chris Cardiff (tifchris@aol.com) is a homeschooling father of three spirited girls and a vice president of AOL. Neither AOL nor his family necessarily endorses his views.

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novel. For this fee Mudie's patrons had access to their choice of all new novels as well as many other fiction and nonfiction books.[2]

It wasn't until the middle of the nineteenth century that the battle was joined over government funding and control of libraries. Given the growing success of the private-sector libraries, there was enormous resistance to government's taxing citizens for their support. For the most part, voters rejected the idea. Those few approved were generally inadequately funded and maintained.

Lerner cites the New York Free Circulating Library as representative of voter attitude: "Many New York leaders believed that libraries were a charitable enterprise rather than an essential municipal service." Founded in 1879, New York's first public library was funded by private individuals for its first seven years. Well-known philanthropists like John D. Rockefeller and Samuel J. Tilden contributed significant financial support even after it began receiving government funding.[3]

Carnegie's Great Leap Forward

Into this public-versus-private debate entered industrialist-turned-philanthropist Andrew Carnegie. Born into a poor family, he could have been the model for the Horatio Alger novels. As a boy he worked first in a cotton mill and then as a telegraph messenger. A turning point in his life came when Colonel James Anderson opened his personal library to working boys. Largely self-educated through access to this library, Carnegie used his knowledge to bootstrap himself into one of the premier industrialists of his time.

Through his investments in railroads and steel he amassed an enormous fortune. Even before he retired he vowed to donate the bulk of his fortune to charitable enterprises before he died. Carnegie had strong opinions on charity, believing that more than 90 percent of donations did more harm than good. His philanthropic philosophy emphasized providing a hand up rather than a handout: "The main consideration should be to help those who will help themselves; to provide part of the means by which those who desire to improve may do so; to give those who desire to rise the aids by which they may rise; to assist, but rarely or never to do all."[4]

Libraries became a cornerstone of Carnegie's philanthropic activities. They fit perfectly with his philosophy: "The fundamental advantage of a library is that it gives nothing for nothing. Youths must acquire knowledge themselves." They also fit perfectly with his own experience. Access to the private library of Colonel Anderson was fundamental to his own success in life—a success he wanted to see duplicated for everyone.

Carnegie was a fervent believer in and articulate champion of capitalism. As he himself proclaimed, "Individualism, Private Property, the Law of Accumulation of Wealth, and the Law of Competition . . . are the highest results of human experience, the soil in which society so far has produced the best fruit." Yet despite his advocacy of free-market principles, Carnegie allied himself firmly on the side of those who believed libraries should be provided by government.

As Carnegie watched proposals for government libraries fail at the ballot box, he developed his own plan for overcoming voter resistance. He started out modestly, establishing libraries in his hometown in Scotland and then endowing libraries throughout Pennsylvania in many of the towns where he had built steel mills. He later referred to these efforts as his "wholesale" period. These initial efforts were fully funded by his private endowments. The "wholesale" seeds he had planted in a few key cities created an enormous demand for Carnegie libraries. To handle these numerous requests Carnegie developed his "retail" approach. The libraries from his "wholesale" period were established as private institutions. Now he granted libraries to any city that requested one as long as it met two key conditions: (1) it donated the land and (2) it committed to maintaining the library by an annual amount equal to 10 percent of the initial grant.

This formula transformed the debate over government ownership of libraries. In less than a generation, hundreds of Carnegie libraries were built in small towns throughout the United States. By the time Carnegie's program ended in the 1920s almost 1,700

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Carnegie libraries owned and operated by local government had been funded in over 1,400 communities.

This is the paradox of Carnegie libraries. Using his own fortune, Carnegie was able to establish a comprehensive public library system throughout the United States. Yet despite his ability to leave these libraries in the private sector, he essentially used them as a massive bribe to overcome the public's resistance to financing them through taxes.

With over 15,000 public libraries in the United States today and information and books available to all, some might find it hard to fault Carnegie, believing him to have done our country a great service. However, there is a dark side to libraries that are owned and operated by the government.

Banning Books and Promoting Propaganda

People value libraries because they are a low-cost means of accessing information and entertainment. But what happens when the government exercises control over the information available in libraries?

Totalitarian regimes exemplify the extreme example of government-controlled libraries. In the Soviet Union Lenin strongly supported public libraries, making their primary purpose "educat[ing] the public strictly towards a revolutionary outlook and revolutionary action." Changes in Soviet policy and leadership purges were quickly reflected on the shelves of the local libraries. Libraries were used both as a means of censoring opposing ideas and disseminating government propaganda.[5]

Nazi Germany followed a similar model to promulgate the concept of Aryan superiority. Books by Jewish authors were banned from libraries and became fodder for book burnings, while books extolling the superiority of the German people were strongly encouraged. As Lerner states, "Even the library catalogs were revised to reflect Nazi views on race and nationalism."[6]

While the potential for abuse is large whenever government controls an important source of information, such abuses are still the exception rather than the rule in America. But although we live in a much freer society than the despotisms mentioned, libraries in the United States are not immune from temptation. In the past public libraries have banned such classics as Mark Twain's *The Adventures of Huckleberry Finn*. Regarded by many as America's greatest novel, *Huckleberry Finn* was banned from numerous public libraries, including the Concord (Massachusetts) Public Library in 1885, the year of publication; the Brooklyn Public Library; and the Denver Public Library.[7] Reasons for the ban have ranged from the book's dialect and grammar to its irreverence to Huck's references to his friend, the slave Jim.

The American Library Association (ALA) adopted a "Policy on Governmental Intimidation" in 1971 to help preserve the intellectual freedom that it felt government was encroaching on. The policy included resolutions stating that "the ALA Membership . . . recognizes the danger to intellectual freedom presented by the use of spying in libraries by government agencies" and that the "ALA asserts that no librarian would lend himself to a role as informant, whether voluntarily revealing circulation records or identifying patrons and their reading habits."[8]

The ALA's stand on government intimidation, however, does not mean it is beyond reproach when it comes to suppression of intellectual freedom. Last year, a Toledo, Ohio, public library refused to stock the book *Killer Angel,* a critical biography of Margaret Sanger, founder of Planned Parenthood and an icon of today's "liberals." The ALA defended the decision by stating that librarians were the gatekeepers as to what was appropriate for library patrons. These of course are government-paid librarians in government-funded libraries. It's not accidental, as one anonymous staffer in the Toledo public library system noted, that libraries promote political bias by buying fewer copies of "conservative" books than "liberal" books. But according to the ALA's thinking, banning or suppressing books at the librarian level because of ideological bias does not count.[9]

Book-selection bias is a political issue because the overwhelming majority of our

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public libraries are funded and controlled by government. Privately owned and operated libraries could set their own policies. Those who objected to them could patronize a competing library with different policies. This free-market model has an overwhelmingly successful track record in providing other kinds of consumer choices.

Of course, only a small percentage of library materials are overtly political or controversial. Although a case can be made that all materials have political assumptions embedded in them, much of what the average library stocks in books, records, tapes, CDs, and videos falls into the entertainment category. But that raises another issue. Do we really need government libraries buying 50 copies of the latest Spenser mystery or Madonna's new CD? Or is this just another case of people voting themselves benefits at the expense of their neighbors? Private libraries would also satisfy this moral objection to government-funded libraries.

Private Libraries Today

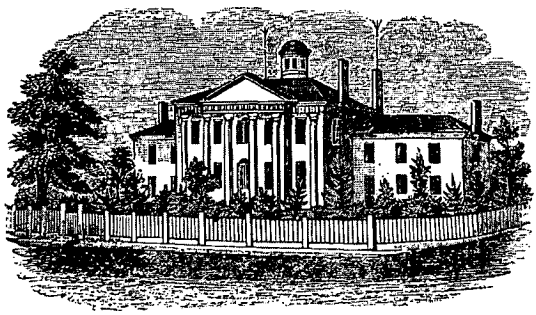
Despite the prevalence of government libraries, models of private libraries still persist today. At one end of the spectrum are small specialty libraries like the one maintained by our local homeschooling support group. Larger specialty libraries exist also; for example, the McClellan Funding Information Library specializes in books on grant funding for nonprofits. Financed by donors, it is a resource for the entire San Francisco peninsula region. On an even larger scale, private universities also maintain their own specialty and general-purpose libraries.

The famous Huntington Library in San Marino, California, followed the original Carnegie "wholesale" model. Richly endowed by Henry Huntington, the railroad magnate, the library gives scholars free access to its extensive collections of British and American history and literature. The Huntington Library also resembles Franklin's subscription model because it charges membership fees to the general public to view its exhibits, rare books, art collections, and botanical gardens.

Finally the Internet brings us a high-tech alternative in the form of a digital library. On-Line Books (http://digital.library.upenn.edu/books/) has published many classics, both fiction and nonfiction, whose copyrights have expired. Over 13,000 titles are available free of charge, ranging from *Huckleberry Finn* to Frédéric Bastiat's *The Law.*

From subscription libraries funded by user fees to libraries fully endowed by generous donors, free-market alternatives to government libraries have abounded. And despite crowding out by the government model, many examples of private libraries still exist today. Americans have a history of generosity. Given the value we place on libraries, there is no doubt that many people, both of modest and abundant means, would follow Andrew Carnegie's original model of donating to privately owned and operated libraries. □

1. Fred Lerner, *Libraries Through the Ages* (New York: Continuum, 1999), p. 97.
2. Ibid., pp. 97–98.
3. Ibid., p. 101.
4. Andrew Carnegie, "Wealth," *North American Review,* June 1889, pp. 653–64; reprinted in *The Gospel of Wealth* (Bedford, Mass.: Applewood Books, 1998).
5. Lerner, p. 105.
6. Ibid., p. 106.
7. Herbert N. Foerstel, *Banned In the U.S.A.* (Westport, Conn.: Greenwood Press, 1994), pp. 150–51.
8. *Intellectual Freedom Manual,* Fifth Edition (Chicago: American Library Association, 1996), chapter four, p. 165.
9. Patrick Poole, "Censoring Library in Hot Water Again," *World Net Daily,* June 14, 2000. (www.worldnetdaily.com/news/article.asp?ARTICLE_ID=20023).



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IDEAS ON LIBERTY
OCTOBER 2001

Will You Name the Car Crash After Us?

by Ross Levatter

Imagine the following dialog:

SMITH (interested in auto insurance): I'm looking for some good auto insurance coverage.

JONES (an auto insurance salesman): You've come to the right place.

SMITH: Would your insurance cover me if I had an auto crash?

JONES: Certainly our insurance covers auto accidents.

SMITH (blushing): Well, I must admit I had an auto accident once, but that was several years ago. I'm more mature now, and take precautions. Now, I only have planned auto crashes.

JONES: I'm sorry?

SMITH: Yes, I think auto crashes are too important to take lightly. I plan all of them carefully. No auto "accidents" for me. But of course I want insurance coverage.

JONES: You say you *plan on* having auto crashes in the future?

SMITH: Yes, at least two in the next five to ten years. Possibly three.

JONES: And you want us to insure you for them?

SMITH: You said you sold insurance, right?

JONES: Well, yes . . . but typically people insure to avoid large expenses from unexpected circumstances. If you're planning to have auto crashes, why not just set aside a fund to pay for them?

SMITH: Well, that's silly. If I did that, auto crashes would be more expensive for me. If I have insurance, I'll be able to take advantage of group rates. As you know, some people don't have any auto crashes. Some, I believe, even have autos but never drive, making crashes extremely unlikely (though why they'd have the equipment and never use it, I certainly don't understand). I'll be able to take advantage of their driving records in a group policy, lowering my costs.

JONES: And raising theirs . . .

SMITH: Well, they were the ones to decide not to have auto crashes. If they choose to have auto crashes in the future, your company will pay for them, too.

JONES: That just raises the cost of auto insurance for everyone.

SMITH: Well, if the government didn't think your paying for my planned auto crashes was good public policy, they wouldn't have mandated that planned auto crashes be covered by all auto insurance policies.

Everyone sees that Smith's argument is just crazy—economically foolish and morally obtuse. Amazing that when you change "auto crash" to "pregnancy" and "auto insurance" to "health insurance," everyone thinks it makes perfect sense. □

Ross Levatter (DXIMGR@aol.com) is a physician in Wisconsin.

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Toxic Government

by Bruce L. Benson

Government agencies may be the largest single source of demand for potentially toxic substances. They use large quantities of allegedly toxic products in ways that put people at risk, often without warning the parties at risk or even acknowledging the risk. Yet government is frequently immune from tort liability.[1]

The saga of the chemical Agent Orange illustrates how the government can be immune from liability even when it is the best informed party and when its contractors are forced to pay compensation for harm.[2] Chemical companies were pressured to make these payments even though no substantive harms from Agent Orange were proven. Yet the government simply denied liability.

During World War II, as Peter Schuck discusses in his book *Agent Orange on Trial*, the Army formulated a number of defoliant compounds, including 2,4,5-T. The compounds were regarded as more effective, easier to apply, and safer than existing weed killers, so after the war they were made available to the private sector. The Army continued to test many herbicides.[3]

President Kennedy approved spraying various mixtures that included 2,4,5-T; another powerful herbicide, 2,4-D; and other chemicals on the jungles of Vietnam. As U.S. involvement in Vietnam increased, so did the defoliation efforts. Agent Orange, consisting of equal parts of 2,4,5-T and 2,4-D, was introduced in 1965. Several chemical companies were compelled to provide it to the Army under the Defense Production Act.[4] By the time its use ended in 1970, 11.2 million gallons had been sprayed over about 10 percent of South Vietnam's land area.

Potential dangers of herbicide toxicity in general and of Agent Orange in particular had been known by Army officials for some time. Monsanto, one of the largest producers of Agent Orange, informed army officials that 2,4,5-T was a toxic substance as early as 1952. A 1963 Army review of toxicity studies of 2,4,5-T concluded that there was an increased risk of chloracne (a severe but often treatable skin condition) and respiratory irritations, and that the risk was heightened when the chemical was applied in high concentrations by inexperienced personnel.

The Army knew as much, and probably more, about the potential dangers of the herbicides as any company that manufactured them. The Joint Chiefs of Staff were also informed of potential health dangers of herbicides by the President's Science Advisory Committee in 1963. President Johnson's Science Advisory Committee apparently discussed the potential toxicity of 2,4,5-T in meetings between April and June 1965. The National Cancer Institute contracted with

Bruce Benson (bbenson@independent.org) is senior fellow at the Independent Institute and DeVoe Moore Distinguished Research Professor of Economics at Florida State University. This is excerpted from Cutting Green Tape, *edited by Richard Stroup and Roger Meiners (Transaction Publishers for the Independent Institute).*

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Bionetic Research Laboratories in 1965 to study the potential toxicity of a number of herbicides and pesticides, including both 2,4-D and 2,4,5-T. A preliminary report indicating potential dangers was not made public until 1969 when it was leaked to Ralph Nader.

Before this, the Army had denied (perhaps correctly) that any serious danger existed, but on April 15, 1970, it stopped using Agent Orange. Subsequently, veterans claiming they had contracted diseases from it initiated litigation to obtain compensation.

Despite evidence of substantial knowledge by government officials of the potential health hazards, the government denied virtually all liability. Its lead attorney on the case stated: "The United States declines to attend or participate in settlement negotiations or court settlement of this case because any settlement that calls for contribution by the United States is not warranted. This is the United States' firm position, and we anticipate no change whatever in any aspect of it."[5]

Manipulated Settlement

Although there are substantial scientific questions regarding causality with respect to many of Agent Orange's alleged health effects,[6] the judge in the case manipulated the producers of Agent Orange into a $180 million settlement. This was in addition to their legal fees, estimated to be in the $100 million range.[7] If government officials were correct in denying any liability, then the producers should also have been free of liability. The defendants attempted to recover litigation expenses and settlement costs from the federal government, but they failed: the Supreme Court affirmed lower court rulings against them in 1996.[8]

To the degree that Agent Orange causes harm, the case appears to be one of gross negligence on the part of government officials. Immunity for such officials can apply even when potential harms are intentionally inflicted.[9]

There are many other examples of government actions that exposed people to toxic materials without legal liability. Consider just a few examples.

- The Department of Defense (DOD) apparently knew of potential risks associated with experimental drugs and vaccines before the Gulf War, but administered them to troops anyway, with no warning and no monitoring.[10]

- The DOD has identified 10,439 suspected hazardous waste sites on active military installations that require cleanup or additional investigation. Over 100 of those facilities are on the Environmental Protection Agency's "Superfund" National Priorities List of the worst contaminated sites in America.[11]

- U.S. Department of Energy nuclear weapons laboratory, production, and test facilities have "an estimated 4,500 contamination sites covering tens of thousands of acres of land," and nine of these facilities are on the Superfund priorities list.[12] Those nuclear weapons facilities have produced more than 99 percent of all the high-level radioactive waste in America. Several facilities are so contaminated that they probably will simply be sealed off from public access as "national sacrifice zones."

- While industry is recognized as the major producer of chlorofluorocarbons (CFCs, such as Freon), which allegedly deplete stratospheric ozone, estimates made in 1989 suggest that the armed services and their contracted weapons producers were responsible for about 37 percent of the nation's Freon emissions.[13]

- Millions of tons of asbestos were used to insulate ships built in naval shipyards. The way it was applied exposed many thousands of workers to dangerous levels of asbestos, unlike the relatively safe way that asbestos was used in building construction. As Edwin Chen notes, "Even though the vast majority of asbestos victims worked in government shipyards, the United States government continues to reject any suggestion that it bears a moral, if not a legal, obligation to the victims."[14]

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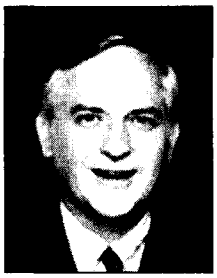
The list goes on and on. It's a sad commentary on government "responsibility." □

1. Federal Tort Claim Act, 1946; *Feres v. U.S.* (1950).
2. Much of this discussion is drawn from Peter H. Schuck, *Agent Orange on Trial: Mass Toxic Disasters in the Courts* (Cambridge, Mass.: Belknap Press, 1986).
3. Ibid., p. 16.
4. Jonathan Glasser, "The Government Contractor Defense: Is Sovereign Immunity a Necessary Perquisite?" *Brooklyn Law Review* 52 (1986), pp. 495–531.
5. Schuck, p. 148.
6. Jon Franklin, "Poisons of the Mind," *Activities* 14 (1994), pp. 3–4.
7. Schuck, p. 5.
8. *Hercules Inc. et al. v. United States* (1996).
9. A large number of radiation experiments on human subjects were conducted between 1945 and 1970, for instance, some of which exposed large civilian populations. See "'65 Nuke Fallout Hit L.A.," *Oakland Tribune*, August 26, 1994.
10. John Ritter, "Report: Military Knew Risks of Gulf War Drugs," *USA Today*, December 8, 1994.
11. Martin Calhoun, "The Military and the Environment," *Defense Monitor* (Center for Defense Information) 23(9) 1994, pp. 1–7.
12. "Nuclear Threat at Home: The Cold War's Lethal Leftovers," *Defense Monitor* 23(2) 1994, p. 1.
13. Lenny Siegel, *No Free Launch: The Toxic Impact of America's Space Programs* (Sabattus, Maine: Military Toxics Project, 1990), p. 1.
14. Edwin Chen, "Asbestos Litigation is a Growth Industry," *Atlantic*, July 1984, pp. 24–32.

A New Beginning

FEE Fall Dinner



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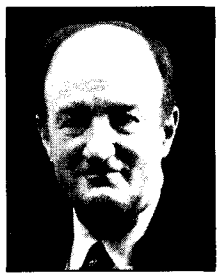
Paul A. Gigot
Editorial Page Editor,
The Wall Street Journal



Introductory remarks by
Dr. Mark Skousen
President of FEE

Sunday, October 14, 2001
Harvard Club, New York, NY
Reception 6:00 P.M./Dinner 7:00 P.M.

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IDEAS ON LIBERTY
OCTOBER 2001

Property Is Freedom

Capitalism is liberating. Maverick feminist Camille Paglia acknowledges that it was capitalism that liberated women. In this issue of *Ideas on Liberty* Andrew Bernstein points out that it was capitalism that enabled black entrepreneurs to advance in spite of racism and Jim Crow. Undoubtedly, capitalism is the greatest force for individual liberation the world has known.

Why is that so? Abstract philosophical reasons can be provided to answer that question. But in existential terms, one word sums up the case: property.

Private property is central to liberty and capitalism. As F. A. Hayek pointed out, one need not own property to benefit from the institution. Without a system of private property, everyone is but a tenant and employee of the monopoly state. And when that's your only option, you have no freedom.

How delightful to find confirmation of that theme in a movie—one that was nominated for the Academy Award for best picture in 2000. I'm talking about *Chocolat*. (I see movies rather long after they first hit the theaters, so forgive this belated discussion. The movie is available on tape and DVD.)

Chocolat is a controversial movie, and it is the controversy that helps emphasize my point that property is central to freedom. In briefest summary it is the story (screenplay by Robert Nelson Jacobs, based on the novel by Joanne Harris) of a mysterious woman, Vianne, who disrupts or awakens (depending on your point of view) a tradition-bound French village in 1959 by opening an exquisite chocolate shop. It sounds innocuous enough, but this richly textured story has many themes: tradition versus change, tolerance versus intolerance, spirit versus flesh, Christianity versus paganism, the Third World versus the West, feminism versus patriarchy, and others. It's all there, sufficiently nuanced and balanced to make for interesting conversation among friends, even if it indulges in political correctness a little too often.

Luckily, I don't have to sort out the many strands that run through the movie. Rather, I want to take a wider view and focus on the institutional setting of the story. Therein lies an irony I have not seen mentioned by movie reviewers.

Let's begin with a rough generalization. What we think of as left-wingers probably liked the movie. As they saw it, a strong single, unwed mother of Mayan pagan descent upsets a repressed Catholic village (especially its stern mayor) by tempting the residents with a pleasure of the flesh and cultivating the few latent mavericks in town, in particular, an abused wife and a salty old woman who's been cut off from her grandson by her uptight daughter. Vianne opens her shop just as Lent is beginning and announces plans for a fertility festival on Easter Sunday. Moreover, she befriends a band of "river rats" the town fathers have denounced as immoral undesirables.

Sheldon Richman (srichman@fee.org) is the editor of Ideas on Liberty.

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The people we think of as right-wingers probably did not like the movie. (Michael Medved says the movie was "determined to show the horrid, intolerant, cruel nature of religious conservatives.") This presumptuous heathen with her in-your-face manner offends the sensibilities of decent upstanding folks who didn't need her to intrude on their time-proven virtuous ways.

The movie isn't so black and white, and there is no overt politics or economics in the story. But if we judge the movie at the institutional level, interesting things happen. Here's the irony: many of the people who like the movie will tend to be anti-capitalism, anti-property, and anti-profit (which is to say anti-entrepreneur), yet what happens could not have happened under socialism or even milder government intervention.

Observe: Vianne comes into town and rents a store from a resident—property rights, free trade, a tenant-landlord relationship. She proceeds to open her chocolaterie—private enterprise. She's friendly to the townspeople and invites them into her shop, often giving her potential customers free samples. She's not just a good businesswoman; she's a Kirznerian entrepreneur, offering people something *they don't yet know they want.* Had they been surveyed by the Gallup Organization, they might have said they emphatically did *not* want a chocolaterie in their town.

Mayor Reynaud, keeper of the town's virtue, is clearly threatened by these events. But what does he do about the threat in his capacity as head of government? Absolutely nothing. Yes, he tells his fellow citizens that Vianne represents the devil and that they should resist her temptations. He attempts an informal boycott. But he does not arrest her. He does not close down her shop. We see no policeman at any time during the movie, and the words "license" and "zoning" are never spoken.

In other words, the private property of the owner and her tenant-shopkeeper are respected immaculately. It is property that establishes the rule of law and the limits of government power. Because of property, the mayor tolerates Vianne even while disapproving of her. She is at all times safe with respect to the law. She is not even harassed. (The only threat comes from her friend's abusive husband, whose conduct appalls the mayor.)

The Maverick Under Socialism

Now imagine this woman under socialism or communitarianism. She wouldn't have stood a chance. She could not have opened her shop without government permission, which she would not have received. Had she tried to open it anyway, she would have been shut down and fined or imprisoned. The secret police might have taken her away in the night.

But we need not go to extremes. Imagine that town simply with licensing and zoning laws. The reader can fill in the details.

I wonder how many people of the left, as they cheered Vianne on, were struck with the thought that her activities were possible only because the town respected private property. And how many people of the right who scorned *Chocolat* realized that private property and free markets make all traditions vulnerable to change and even extinction. (This is not to imply that change is necessarily progress.) Through voluntary exchange, people can do much to protect the customs and practices they cherish. Indeed, private property is instrumental in such protection. But in the final analysis a free society is an unplanned order that no one controls. Thus there are no guarantees that any given custom will endure. That's why government is so often asked to thwart change. When persuasion fails, physical force through the state is a tempting alternative for many people. But not in *Chocolat.*

Many factors, cultural and otherwise, will help determine whether a given viewer inclines toward Vianne or Mayor Reynaud—or believes a reconciliation is possible. But everyone ought to be able to come away from *Chocolat* understanding that without private property, freedom is impossible. □

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IDEAS ON LIBERTY
OCTOBER 2001

Individual and Society: Irreconcilable Enemies?

by Tibor R. Machan

Do individual rights clash with the interests and "rights" of communities?

Some say that they do, at least sometimes. And some think they clash quite often. But an individual "right" that can be abrogated at will whenever others are inconvenienced or annoyed is not really a right at all but merely a temporarily awarded privilege.

Consider the case of a famous theater in Fullerton, California, which was about to be sold by its owner, Edward G. Lewis. Neighbors not only scolded Lewis for his willingness to sacrifice "community interests," but also trooped to the local government to demand a ban on the sale.

Then there's the case of a resident in the neighboring city of Orange who wanted to build some apartments on land he owns. Alas, he was guilty of owning that land within the bounds of a "historic district," inspiring the neighbors to insist that the city government abort his plans.

Finally, there's the case of influential citizens in Indianapolis who wanted to institute random car searches to stem drug traffic. They claimed that opposing their desire amounted to pitting private against community interests—and of course the latter should prevail. Luckily, the U.S. Supreme Court disagreed, siding with those who wanted their individual rights protected.[1]

Contributing editor Tibor Machan (Machan@chapman.edu) is a professor at the Argyros School of Business and Economics at Chapman University.

Is there anything natural or necessary about this apparent conflict between the individual and the community? After all, no individual has ever survived alone, utterly apart from others. Family, neighbors, tribe, village, city, country, and world—all form a vital feature of the life of every individual human being. So any *basic* antagonism between the individual and the various communities of which he is a member would seem to be a fiction. As individuals, we need other people. Community benefits, Aristotle observed, are natural.

At the same time, we cannot exercise our full human potential if our individuality is stifled, suppressed, and banned by the mass of men who call themselves society. Creative thought, self-directedness, resistance to mindless conformity and the like are all part of what we have come to understand as human virtues. So how did individual rights and the public interest come to be the premier polar opposite of political life?

Perhaps the deepest roots of the notion lie in the conditions of tribal life before the dawn of civilization. It has always been natural, as F. A. Hayek pointed out, for persons to be bound up in close relationships with others. And in the earliest times, especially before human beings had engaged in much reflective thought, let alone writing, survival literally depended on these ties.

With the birth of political thought in ancient Greece, attention began to be paid to individual moral development. But there was still much more focus on how communities

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should be administered and on what specifically *civic* virtues men ought to cultivate than on how to resolve conflicts between individuals and the community. With the life (and death) of Socrates, serious issues did arise that Plato then developed into major themes of his political explorations. But although Socrates was in conflict with society, he explicitly granted the moral supremacy of the group—it had a right to impose the death penalty on him, he believed, and it would have been wrong to try to elude it.

Nevertheless, the question posed by the drama of Socrates is still the question we face today: to what extent does any individual have the right to dissent from the group . . . and to what extent does the group have the right and authority to subdue the individual?

The Supremacy of the Community

Plato's own philosophy of social life assumes the supremacy of the community in spades. For Plato the universal Idea of Humanity, or Man, possesses transcendent significance, while the particular incarnations of that Idea—namely, you, me, and Fred next door—are perishable, imperfect, even base and low—poor shadows of the Real Thing. So the first major political reflection in Western history underscored the notion that individuals are lowly parts of a greater whole.

Even in Aristotle, the status of the individual citizen takes a back seat to the need to properly administer the community. Indeed, for the ancient Greeks generally the obligations of citizenship take precedence over concerns about individual rights or liberty. Individual rights do make a vital appearance in Aristotle—a pivotal appearance, historically speaking—but are not treated in the prominent way that they would be in the thirteenth century, in the work of William of Ockam, and thereafter, especially in the writings of John Locke and later libertarians.[2]

Historically, then, "society" had a head start when it came to resolving allegedly fundamental clashes between it and the individual. But there are also competing views, and the issue is hardly moot. We don't have to settle for whatever seems the traditionally dominant way of looking at the world. Instead we can and should ask: What are the standards according to which we *should* judge and resolve apparent conflicts between the individual and the community? And does it not matter *what kind* of community we are talking about? If an individual comes into conflict with the Third Reich or modern Iraq or the former Soviet Union, should such a conflict be resolved invariably in favor of the community—or is it precisely "the community's" stance toward the individual and his rights that in part determines whether it is a good community or a bad community?

In fact, what is at issue in purported conflicts between the individual and society are varying conceptions of good community life held by various individuals. It is hard to imagine any individual rejecting community life as such; it is too vital a support system. But there are people who do so and march into McDonald's or the local schoolyard, weapons at the ready. What a normal, reasoning individual seeks is not an *end* to community but a community in which his own goals can be realized and his values reflected. He may also seek to impose his choices and preferences on others by force—but then it is his own choice that introduces conflict, one that rests in fact on a mistaken conception of what constitutes a healthy and viable community.

Communities are not automatically healthy or nurturing. Individual members need to watch over them to make sure—applying standards that are objective, rather than impulsive or emotional—that they are conducive to human life. This vigilance is the responsibility of the individual. Even the most crucial of communities, the family, is subject to moral evaluation: when a child, for example, is abused or neglected and is incapable of protesting, others may make just claims in his behalf. By the same token, a larger community that chronically stifles individual aspiration may be deemed corrupt and stagnant—something to be repaired or even rejected altogether.

What makes a community suitable is its systematic embrace of principles that make self-directed individual life *possible* in a

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social context. That means a community which pervasively respects and safeguards individual rights; that is, the ability of each sovereign individual to pursue his own life and goals without arbitrary coercive hindrance from others.

Some conceptions of community life do violence to individuality and thereby undermine their merits as suitable communities. Yet some folks prefer them, fight for them, struggle to establish and maintain them. When they say human beings need to give up their individuality or abandon their basic rights in deference to community, they mischaracterize the actual conflict. If a community is destructive, opposing it does not mean opposing community as such, just *bad* community.

The Environment

Consider the common allegation that the needs of communities in environmental matters clash with individual rights. But why should this be so?

It turns out that private property rights provide the best chance for conserving the resources human beings require in the long run. The tragedy of the commons, or collective ownership, is the main threat to environmentally sound public policy, while private property rights secure long-term care for resources. So it seems that respecting and protecting the individual's property and developing measures that address environmental problems within that context lead to the best solutions—best for the individual and the sort of community in which individuals can flourish.

But suppose an individual wants to pave his land while his environmentalist neighbors, enjoying the view, ache for him to leave it as it stands. These neighbors may not care about environmental questions in general, just this single patch of natural wonderland on their own block. Here we have a definite and unmistakable clash of the *preferences* between members of the community. The matter cannot be a clash of *rights*, however, because the neighbors don't own the land in question.

Obviously, all sorts of preferences, including mutually contradictory ones, can be wrapped in the banner of community. But if your rights can be repealed whenever a bunch of neighbors decides they should be repealed, you obviously have no rights at all. And that is not a good social setting in which to attempt to live one's life.

So what about the beleaguered theater owner in Fullerton? If we are really worried about the interests of the community as a whole, then we should be concerned about the rights of all its constituents. That means we should be concerned to uphold the property rights of every individual in that community. To build nice theaters individuals need to know that they will be able to sell them when that is deemed to be to their best advantage. Without this freedom, the creation of values is seriously hampered.

As for the historic district in Orange, there are ways of working to sustain the value of the area without violating anybody's rights. The owner of the parcel in question could, for example, have been compensated for his loss by those concerned to sustain the historical flavor of the area. (Of course, raising the money might have been a problem.) Restrictive covenants could have prevented the conflict. These sorts of solutions require foresight and expense. But how much better to expend effort on the things one cares about than to open the door to endless coercive interference with private plans?

The Indianapolis residents who want random searches to abate drug traffic must accept the fact that this would be a serious breach of principles appropriate to a free people. That doesn't mean they can't tackle the problem at all. Education, social pressure, and other peaceful means of combating the drug trade can be deployed without forfeiting the Fourth Amendment.

Working to achieve one's social values on a voluntary rather than coercive basis often takes imagination and determination. But aren't individual rights worth this effort? □

1. City of Indianapolis et al., petitioners, v. James Edmond et al.

2. Fred D. Miller Jr., *Nature, Rights and Justice in Aristotle's Politics* (Oxford: The Clarendon Press, 1995). Compare to Alistair McIntyre, *After Virtue* (Notre Dame: University of Notre Dame Press, 1984). See also Brian Tierney, *The Idea of Natural Rights* (Atlanta: Emory University Studies in Law & Religion, No. 5, 1997). The most elaborate philosophic defense of individual rights, based on human nature, appears in John Locke, *Two Treatises of Government* (Cambridge: Cambridge University Press, 1960 [1690]).

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IDEAS ON LIBERTY
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Fair Is Fair

by Andrew P. Morriss

Several years ago, just after Congress had finally killed the federal mohair subsidy, I interviewed a lobbyist for the Texas Sheep and Goat Raisers Association. He told me he was confident Congress would restore the program in the next session. Why? Because it wasn't fair that other agricultural interests had subsidies and the goat ranchers didn't. Never mind that subsidizing the production of mohair (originally, it is alleged, to ensure an adequate supply of warm uniforms for American soldiers in a war with the Soviet Union) is about as dumb a subsidy as one can imagine, so dumb that the Republican Congress and Clinton administration had joined together to kill it—it just wasn't fair!

Last January the *Wall Street Journal* ran a story about Amtrak's endless failed attempts to break even. The story recounted how George Warrington, the head of Amtrak, "bristles" when asked about the huge federal subsidies for train service. Warrington asked the reporter: "I have to be embarrassed about $23 billion for Amtrak after all the money spent on highways and air [travel]? Give me a break."

Well, yes—you should be embarrassed, Mr. Warrington. It doesn't matter how much airports or highways are subsidized, the illegitimacy of their financing doesn't make it acceptable for Amtrak to engage in the same behavior. As parents around the world ask their children daily: "If Johnny jumped off a cliff, would you?" Our representatives in Washington and state capitals ought to be asking Amtrak, airlines, and goat ranchers the same thing.

The Texas goat ranchers and Amtrak both make a claim for "their share" of the federal budget because it isn't "fair" for others to get subsidies unless they get one too. This same attitude can be seen in the charts newspapers regularly publish showing whether a state gets "back" more money from the federal government than the state "sends" in federal tax payments. These charts imply that congressmen who bring home the bacon are doing a good job, while the representatives from the states that are "net exporters" of tax revenues had better do something about their failure before the next election. They ignore the fact that those paying the taxes and those receiving the handouts are different people.

Underlying these complaints is a kernel of truth—it isn't fair when one group uses the power of the state to extort money from another. But concentrating on the distribution ignores the fairness principle's application to the revenue part of the equation. After all, fairness isn't about how much we get from others, it is about how we treat others. Looked at that way, it is easy to see that taking money from people at the point of a gun to pay ranchers to raise goats or Amtrak to run trains isn't

Contributing editor Andrew Morriss (apm5@po.cwru.edu) is the Galen J. Roush Professor of Business Law and Regulation at Case Western Reserve University and a senior associate at PERC—The Center for Free Market Environmentalism.

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fair no matter how many other people have done it first.

Many economists who are skeptical about the "he stole some, so I should get some too" fairness argument like to make a different case for equalizing public spending across sectors. Sure, they'll say, it is wrong to subsidize airports and highways (or cattle and pigs), but since we have to live in the real world where such distortionary spending occurs, we need to counterbalance it with subsidies for Amtrak (or goats).

This "get the prices right" argument rests on the same central-planning fallacy that allows many economists to suggest with a straight face that prices for some good (health care, oil, cigarettes) are "too high" or "too low." They remember that prices are signals but forget what prices are supposed to signal—real people's individual subjective valuations of goods and services. Thus they think that if the price of air travel is "too low" because of a government subsidy for airports, we can make the price be "correct" relative to the price of train travel by either removing the subsidy for planes or adding an equal subsidy for trains. The relative price of train travel compared to air travel is then "correct" either way.

Making Things Better—or Worse

Ignoring the enormous computational problems in calculating just how big to make such "optimal" subsidies and the political problems in getting the government to allocate the "optimal" amount, this plan still misses several essential points. First, from this point of view, there are many distortions in prices. Air travel is too cheap because of subsidies for airports, too expensive because it doesn't account for the pollution it causes by burning jet fuel, and so on. Since we don't know what all those distortions are, we can't be sure whether fixing just one of them actually makes things better or not. (This was proven mathematically in the 1950s. Most of the economics profession has ignored this result ever since.)

Second, even if we could get the relative prices of train and air travel "right" somehow, we don't know if that is the relevant comparison. For example, I might be considering traveling to Arizona to visit my parents and debating between a train and a plane, but I might also be considering whether or not to buy a new computer or new car instead of taking the trip. The price of a plane ticket helps me decide that, but so does the price of a new computer. Without a great deal of knowledge about the tradeoffs individuals make—knowledge that no bureaucrat is likely ever to have—"fixing" prices to be "optimal" isn't going to work because we don't know which set of relative prices to "fix." As F. A. Hayek pointed out in his essay "The Use of Knowledge in Society," one of the great things about markets is that they manage such tradeoffs without anyone having to know all that impossible-to-accumulate information.

Fairness is a powerful argument—which is why the opponents of freedom have attempted to co-opt it at every turn. Protectionism is now "fair trade," the minimum-wage laws are "Fair Labor Standards Act," and every special-interest group lining up at the trough has a fairness argument for why it should get "its" share of tax revenues.

It's time for us to take back the word "fair." Far from being a weakness, fairness is one of the strongest arguments for liberty: Is it fair for someone else to come into your house with a gun and drag you off to prison for private behavior that harms no one? Is it fair for the government to demand that you turn over half or more of your income? Is it fair for the police to be able to listen in on your private telephone conversations? Of course not.

It also isn't fair for Amtrak to labor at a disadvantage with subsidized airlines or for goat ranchers to have to compete with subsidized hog farmers. But the solution to these problems has to be fair as well. □

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Economics

Getting the Most Out of Pollution

The Environmental Protection Agency's attempt to reduce pollution with command and control suffers from the same problem as attempting to direct the economy with socialism—central authorities dictate outcomes without knowing what the outcomes should be or how they are best achieved. The EPA isn't any better at socialism than the former Soviet Union (or anyone else for that matter). Reducing pollution efficiently requires information from many firms and coordination of their activities. This is clearly a task for markets, since market prices excel at communicating widely dispersed information to those who can respond to it most effectively by coordinating their actions with the actions of others.

But markets require private ownership, and pollution problems exist because our waterways and atmosphere aren't privately owned. If they were privately owned, there would be no pollution problems because prices for discharging our waste in these resources would arise that would reflect the costs imposed on others. But how can we use markets to reduce pollution if we cannot divide up, and parcel out as private property, these resources? As we shall see, we can create an imperfect market that will reduce pollution far more efficiently than the command-and-control approach.

Dwight Lee (dlee@terry.uga.edu) is Ramsey Professor at the Terry College of Business, University of Georgia, and an adjunct fellow at the Weidenbaum Center on the Economy, Government, and Public Policy at Washington University in St. Louis.

In most markets price communication determines not only how much of a good goes to each consumer, but also how much is supplied. When consumers want more of a good, they communicate that through higher prices, and suppliers respond by increasing production as long as the marginal value to consumers (the price they are willing to pay) is greater than the marginal cost of production. If oceans, lakes, rivers, and the atmosphere could be privately owned and every owner could charge everyone whose discharges pollute his water or air, then market transactions would determine the efficient amount of pollution. If polluters wanted to pollute more, they would communicate that desire by offering to pay a higher price to do so, and owners of air and water would allow more pollution until its marginal value (the price polluters are willing to pay) is greater than its marginal cost. As I explained in my May and June columns, the bargaining needed to determine this efficient amount of pollution is not likely to take place.*

So no market we create will determine the right amount of pollution reduction. That decision will generally be made politically. But once made, we can create a market that achieves the reduction at far less cost than can command-and-control policies. The EPA would issue transferable permits for a particular type of pollutant; each permit would allow a given amount of discharge over some specified period, with the total adding up to

* I shall consider possibilities for market determination of pollution levels in two months.

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the allowable discharge of the pollutant. Because the permits would be transferable, a market would quickly develop in which the permits are bought and sold at a price that clears the market—equates the number of pollution permits demanded with the number that exists.

Because of market incentives, it doesn't make much difference how the permits are issued, or who receives them initially, or who ends up using them. It obviously makes a difference to individual recipients. But no matter who receives them, they will soon be sold to those who value them most—those willing to pay the most for them, who presumably can create the greatest value with the allowable pollution.

Suppose the permits were given to an environmental organization such as the Audubon Society or some consortium of such organizations (not a serious recommendation). Wouldn't they refuse to sell any permits, thus keeping them out of the hands of polluters? Indeed, they might keep some off the market to reduce pollution. But not many. For example, if all the permits were kept off the market, their marginal value to polluters would be far higher than the marginal environmental cost. And the Audubon Society would take that marginal value to polluters fully into consideration, since it would be reflected in the revenue possible from selling the permits. Of course as more permits are sold, their marginal value to polluters declines and the marginal cost of pollution increases.

But as long as the marginal value of the permits is more for polluting than for preventing pollution, the Audubon Society would recognize that it can probably do more to further its environmental goals by selling the permits and using the money to buy wildlife preserves and promote environmental education. And this is not just idle speculation. As I discussed in my June 1999 column, although the Audubon Society opposes drilling for oil on public land, such as the Arctic National Wildlife Refuge in Alaska, it allows oil companies to drill on for oil in its own wildlife refuge in Louisiana. Whether the Audubon Society owns a wildlife refuge or pollution permits, ownership and market prices motivate it to put property into its highest-valued use, just as they do everyone else. And this is no less true when the highest-valued use is one that creates pollution.

Getting the Most Value from Pollution

The market for pollution rights will result in a price that all polluters have to pay, so everyone who wants to discharge an additional unit of a particular pollutant will have to pay the same market price to do so. Since it pays everyone discharging a pollutant to increase pollution to the point where the marginal value is equal to the marginal cost, which is the common price of the pollution permit, it follows that the marginal value of pollution will be the same for all polluters. This is another example of the advantage of "equating at the margin," which in this case means that we are getting the greatest possible value from the allowable pollution. If, for example, the marginal value of polluting is greater for polluter A than for polluter B, the total value could be increased without increasing pollution by allowing A to increase pollution by another unit while requiring B to reduce pollution by a unit. It also demonstrates the advantage of the market approach over command and control to pollution management. It is impossible for the EPA to collect and consolidate into usable form the information necessary to mandate the pattern of pollution that would allow the most value to be generated.

Getting the most value from a given amount of pollution is equivalent to reducing pollution to that given amount at least cost. This is immediately obvious from the fact that cost is forgone. My next column will go into further detail on the efficiency advantages of market approaches to control by focusing the discussion on the cost side of pollution control. □

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A "Family" Crisis at the United Nations

by Wendy McElroy

In 1979 the General Assembly of the United Nations passed the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which the United States has yet to ratify. Also in 1979—the International Year of the Child—the U.N. began discussion of a draft agreement on the rights of children, which resulted in the Convention on the Rights of the Child (CRC). Adopted in November 1989, the CRC also remains unratified by the United States. Both documents have become flash points of controversy.

The U.N. itself evolved from the Declaration of United Nations, signed in 1942, through which 26 nations pledged to support the Allies during World War II and to work toward peace thereafter. Libertarians have long been critical of the U.N., viewing it as a step toward a collective global government. The criticism became outright condemnation as the U.N.'s peacekeeping role assumed a more military air. For example, SFOR—the "Stabilization Force" of tens of thousands of troops in Bosnia-Herzegovina—operated under the authority of a U.N. Security Council Resolution. The fear of World Government was made more real by the Millennium Summit (2000) at which the U.N. assembly considered proposals to establish a U.N. bank that issued currency, a permanent standing army of its own, and U.N. control of international financial institutions.

Today, influential conservative groups are adding their own unique criticisms of the U.N. Specifically, the Family Research Council (FRC; www.frc.org) and the Heritage Foundation (www.heritage.org) accuse factions within the U.N. of interpreting both the CRC and CEDAW according to a radical feminist ideology that seeks to subvert the family, national sovereignty, and religion. The FRC recently published a collection of essays titled *Fifty Years after the Declaration: The United Nations' Record on Human Rights* (University Press of America, 2000). In the book nearly two dozens experts roundly criticize the recent social policies of the U.N. as they relate to women, abortion, and children's rights.

Meanwhile, on February 5 the Heritage Foundation issued the report "How U.N. Conventions on Women's and Children's Rights Undermine Family, Religion, and Sovereignty" by Patrick F. Fagan, an official in George H.W. Bush's administration. (See www.heritage.org/library/backgrounder/bg1407es.html.) The Heritage report claims that under "the political cover of international treaties that promote women's and children's rights," the committees that "oversee implementation of U.N. treaties in social policy areas and the special-interest groups assisting them" are pressuring nations to change their laws in a manner that reflects an anti-family, pro-feminist ideology. To such conservative organizations, the U.N. has become anti-family.

Contributing editor Wendy McElroy (mac@zetetics.com) is the author of The Reasonable Woman *and other books. She writes a regular Tuesday column for the Fox News Web site, www.foxnews.com.*

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Perhaps a more accurate statement is that the U.N. is currently experiencing an ideological conflict between committees that condemn the traditional family and powerful forces within the organization that call on it to protect the family. Indeed, the conflict has become so public, and the right-wing so effective, that radical feminists—who generally pursue a strategy of ignoring opposing opinions—have issued their own reports on what they call an "anti-feminist" onslaught. For example, in the wake of the 44th session of the U.N. Commission on the Status of Women (March 2000), Anick Druelle prepared a report entitled "Right-Wing Anti-Feminist Groups at the United Nations," which was funded by the Canadian government (http://netfemmes.cdeacf.ca/documents/Anti-Feminist%20Groups-USLetter.pdf).

It has taken years for the conflict over family within the U.N. to emerge publicly, and the shift toward anti-family policies has been gradual. For example, the U.N.'s Universal Declaration of Human Rights (1948) proclaims that the "family" is entitled to protection by society and state, and speaks of nurturing motherhood. Especially since the Fourth U.N. World Conference on Women in Beijing (1995), however, that provision has come under increasing assault. The U.N.'s new feminist agenda has taken a low profile, using vague and seemingly innocuous terms such as "gender mainstreaming." Moreover, these terms are often embedded deeply in tedious mega-documents that most members of the U.N. probably do not read in toto.

But now that the light of controversy is shed on U.N. policies regarding family, let us consider whether the influential feminist groups operating within the U.N. are, in fact, anti-family.

Feminism Within the U.N.

The Beijing conference on women was pivotal. For many months preceding the conference, feminist nongovernmental organizations (NGOs) in America drafted a Platform for Action. The Platform was presented to the U.N. at a special session. In the document that resulted, the U.N. stated its determination to "ensure the success of the Platform for Action, which will require a strong commitment on the part of Governments, international organizations and institutions at all levels" (www.un.org/womenwatch/daw/beijing/platform/declar.htm). Calling itself "an agenda for women's empowerment," the Platform for Action demanded the establishment, by government, "of the principle of shared power and responsibility...between women and men at home, in the workplace and in the wider national and international communities" (www.un.org/womenwatch/daw/beijing/platform/plat1.htm#statement).

An intrusion into the personal arrangement of households was called for in the section "Women in Power and Decision-Making," which reads in part, "The unequal division of labour and responsibilities within households based on unequal power relations also limits women's potential to find the time and develop the skills required for participation in decision-making in wider public forums."

The section on "Institutional Arrangements" declares that "Implementation [of the Platform] is primarily the responsibility of Governments. . . . Governments, the United Nations system and all other relevant organizations should promote an active and visible policy of mainstreaming a gender perspective." When speaking more specifically about implementation, the document uses words like "monitoring" and "reallocation of resources," and speaks of the need for feminist groups "to organize networks" and for governments to integrate "a gender perspective in budgetary decisions."

Such plans for carrying out the Platform's aims may seem harmless because U.N. resolutions do not have the power of law. But nations (especially poor ones) that wish to receive aid or other benefits from the U.N. would certainly feel pressured to comply. After all, in signing the CRC and CEDAW, nations had agreed to abide by its provisions. Moreover, U.N. resolutions have been used recently by various international agencies and governments to justify the use of force against weaker governments that do not live up to certain standards of human rights.

The standard in question is that of gender

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equity. It is important to understand that, in current "U.N. speak"—the use of buzzwords and phrases that often sound innocuous but that are politically charged—gender is considered a social construct. That is, it does not refer to the biological difference between male and female, but rather to the sex roles—such as "male" or "heterosexual"—that (allegedly) have been artificially constructed by social institutions and imposed on individuals. According to the U.N. Office of the Special Advisor on Gender Issues and the Advancement of Women, gender is defined as "the social attributes and opportunities associated with being male and female. . . . These attributes, opportunities and relationships are socially constructed and are learned through socialization processes."

"Gender as a social construct" is the polar opposite of what has been called "sexual essentialism"—the theory that sex is a natural force that exists prior to society. Sexual essentialism claims that sexuality and sex roles are based in biology, rather than determined by culture; that is, such phenomena as motherhood, family ties, and heterosexuality are biologically driven.

By contrast, radical feminists maintain that even deeply felt urges like motherhood and heterosexuality are the results of a cultural indoctrination engendered by patriarchy (white male culture). If gender has been constructed, this is good news for radical feminism because then it can be deconstructed and put back together according to a politically correct design. The key to this deconstruction and reassembly lies in controlling the institutions of society. It is especially important to control the law and its administration. The strategy being used by feminists who wish to do precisely that is an ongoing and politically correct reinterpretation of the CRC and CEDAW during the regularly scheduled follow-up U.N. conferences designed to monitor the implementation of those Conventions.

In his paper "Toward a Permanent United Nations Pro-Family Bloc," Austin Ruse—president of the Catholic Family & Human Rights Institute—described the modus operandi of the committees involved in these matters. In essence, they assume broad powers to reinterpret the meaning of the CRC and CEDAW. Thus Ruse observes, "The CEDAW committee has ordered the government of China to legalize prostitution even though the Convention expressly forbids the trafficing [sic] and prostitution of women. Moreover, and most egregious, the committee has ordered the government of Libya to reinterpret the Koran so that it falls within Committee guidelines" (http://reagan.com/HotTopics.main/HotMike/document-6.19.2000.2.html).

From a radical feminist perspective, one of the institutions most responsible for the subjugation of women is the traditional family. It is seen as the foundation of patriarchy. In her essay "Liberalism and the Death of Feminism," the legal theorist Catharine MacKinnon describes the radical feminist agenda that analyzes "war as male ejaculation. It criticized marriage and family as institutional crucibles of male privilege. . . . Some criticized sex, including the institution of intercourse, as a strategy and practice in subordination."

The debate over the family in the U.N. is an ideological conflict. When pro-family advocates view issues such as domestic violence they see a deviation from the norm that can be corrected through the existing legal system. When radical feminists view domestic violence they see a crime that typifies marriage, a crime against women that must be confronted in the political arena by creating new non-patriarchal institutions. And by disabling old patriarchal institutions such as the family.

Narrowing the matter down to two issues—children's rights and stay-at-home mothers—what is the substance of the charges being leveled by conservatives against the U.N.? In particular, how are the CRC and CEDWA being used to destroy the traditional family?

The Convention on the Rights of the Child

In recent years, a great deal of attention has justly focused on the plight of children who are refugees or who are forced into prostitution. The U.N. has also been concerned by reports of high infant mortality and the lack of health care and education for children in Third World nations. The CRC was meant to

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be a definitive and specific statement of children's rights that could be enforced under international law. By the end of 1995, six years after its adoption, 185 countries had ratified it, thus binding themselves to implement its provisions.

States Parties (signatories) are required to advance legislation and administrative policies that conform to the Convention to the "maximum extent of their available resources and, where needed, within the framework of international cooperation." That is, governments are expected to revise their laws to ensure that the CRC is being implemented. It is also expected to properly train those who may be working with children, including teachers, psychologists, social workers, and police so that they can enforce the Concluding Observations. Indeed, within in two years of signing the CRC, every government signatory agrees to submit a report on the compliance measures taken and to submit a report every five years thereafter.

Four general principles form the backbone of the CRC. Article 2 states that "No child should suffer discrimination" because of such characteristics as race, language, or religion. Article 3 prescribes "the best interests of the child" as the "primary consideration" to be used by state authorities in making decisions affecting children. Article 6 declares that the "right to life, survival and development" should be ensured "to the maximum extent possible." Article 12 states that the opinions of children "in all matters affecting them . . . should be given due weight" and that children have a right to be heard in "any judicial or administrative proceedings affecting them."

How do these goals translate into what the Heritage Foundation report calls "a campaign to undermine the foundations of society"? Despite repeated language that renders a nod of recognition to the importance of family, influential forces within the U.N. clearly wish to transfer current parental rights of supervision to the state in the name of children's rights. For example, in February 1995 a CRC Committee (8th Session) in its "Concluding Observations of the Committee on the Rights of the Child: United Kingdom of Great Britain and Northern Ireland," criticized the UK for allowing parents to withdraw their children from sex-education in schools, most of which are government supported. ("Concluding Observations" are especially significant because they are widely publicized and governments that have signed an agreement, such as the CRC, are expected to abide by the committee's conclusions.)

Article 9 deals with the separation of a child from a parent. It says, in part, that States Parties will not separate a child from its parents "except when competent authorities subject to judicial review determine, in accordance with applicable law and procedures, that such separation is necessary for the best interests of the child." Factors that constitute the best interests of the child are "respect for the views of the child" and the right to "appropriate" information, such as sex education, and to abortion and birth control without parental consent. This interpretation of "best interests" provides great latitude for the state to override the authority of parents despite assurances elsewhere that parental rights will be respected.

According to the Heritage Foundation report, the U.N. is pressuring States Parties to give the following "rights" to children: "The right to privacy, even in the household; the right to professional counseling without parental consent or guidance; the full right to abortion and contraceptives, even when that would violate the parents' ethics and desires; the right to full freedom of expression at home and in school; the legal mechanisms to challenge in court their parent's authority in the home."

In terms of specific recommendations to States Parties, the U.N. has urged Belize, for example, to prohibit corporal punishment within the family and to set up "legal mechanisms" that allow children to challenge their parents in court. Children should be allowed to seek medical and legal counseling without parental consent. To Japan, the Committee on the Rights of the Child suggested that additional measures be taken, "including legislative ones, to guarantee the child's right to privacy, especially in the family." Mali was urged "to develop youth-friendly counseling, care and rehabilitation facilities for adolescents

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that would be accessible without parental consent." In short, the U.N. committees recommend decreasing parental authority over children in their own homes and within society.

The target at which the U.N. radicals are aiming is the traditional family. To illustrate the depth of this attack, consider how the "stay-at-home" mother has come under U.N. scrutiny.

Convention on the Elimination of All Forms of Discrimination Against Women

One of the main accusations leveled against the U.N. by the Heritage Foundation is that current policies constitute an attack on traditional motherhood and encourage women to leave the home for the workplace. Fagan wrote, "The U.N. criticized the republic of Georgia, for example, for 'the prevalence of stereotyped roles of women in Government policies, in the family, in public life based on patterns of behavior and attitudes that overemphasize the role of women as mothers.' One country report even criticized the observance of Mother's Day."

In session after session, the feminist-driven CEDAW committee has urged the restructuring of social norms concerning men and women. For example, Armenia was asked to combat the stereotype of motherhood through education and to increase the responsibility of fathers as parents. Azerbaijan was encouraged to establish a national plan "to enhance gender awareness and to promote the campaign to combat traditional stereotypes regarding the roles of women and men." Belarus was publicly criticized for "such symbols as a Mothers' Day and a Mothers' Award," which promoted women's traditional roles. Colombia was urged to eliminate all sexist stereotypes in the media. The CEDAW committee expressed concerns that German "measures aimed at the reconciliation of family and work entrench stereotypical expectations for women and men." The list of recommendations to States Parties on the elimination of the stereotypes of women and motherhood scroll on. (See the paper by Fagan cited above.)

The U.N. actively encourages women to leave the home and enter the workforce by insisting that governments change their laws and constitutions in order to provide such incentives as state-sponsored childcare. Thus formative children are further placed under the umbrella of government and further removed from the influence of parents.

For those who still envision the U.N. as a peacekeeping organization dedicated to state sovereignty, it may seem unbelievable that the U.N. is trying to dictate family policy and moral codes to countries. After all, in recognition of state sovereignty the U.N. Charter itself states that "Nothing contained [herein] shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state."

By contrast, however, the CRC and CEDAW Committees demand that states conform domestic matters such as religious and moral attitudes to U.N. recommendations. Perhaps the most dramatic illustration of this demand is the issue of abortion. The U.N. has recommended that Catholic hospitals, such as those in Italy, offer abortion services even though the medical personnel have religious objections to performing the procedure. The principle of national sovereignty has not only been turned upside down, the U.N. is also reaching down to the individual level and declaring the right to decide moral matters.

As Fagan concludes in his excellent critique, "If the objective is to increase state control of all functions of society, then the U.N. approach makes sense." □

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America's Forgotten Entrepreneur

by Anthony Young

Among the ranks of American entrepreneurs in the first half of the twentieth century, the name Powel Crosley is virtually unknown. Nevertheless, Crosley's inventiveness and persistence made him one of the most recognized individuals of the period and his products known to millions. His impact is still felt today. Crosley was able to achieve what he did, in part, by the virtual absence of government regulation.

Powel Crosley Jr., born in Cincinnati, Ohio, in 1886, grew up in an era of sweeping technological change. At the dawn of a new century, young Crosley was at the threshold of an age of invention with new modes of transportation and communication. As a teenager, his imagination was fired by Horatio Alger's novels of plucky youths who through hard work, honesty, and persistence achieved financial success. This strong capitalist influence forged Crosley's belief that he too could one day become a wealthy man. On many occasions his father would take him to a Cincinnati Reds baseball game. Sitting in the grandstands watching the game he grew to love, the young Crosley could not imagine that one day he would own that baseball team, having become the financial success he had dreamed of.

While attending the Ohio Military Institute, Crosley's imagination was captured by the new Henry Ford Motor Company and its 1903 Model A, and the first flight by the Wright brothers at Kitty Hawk, North Carolina, that same year. If he wanted to become an entrepreneur, he first had to be an engineer. In 1906 he enrolled at the University of Cincinnati to study engineering, but he impulsively dropped out in 1907. Convinced he could build an inexpensive six-cylinder automobile, he borrowed $10,000 to set up a small production facility. He succeeded only in building a prototype before the panic of 1907 dashed his hopes.

Crosley felt he needed experience in automobile manufacturing and marketing, so he moved to Indianapolis. He worked for several small automobile manufacturers, and moved back to Cincinnati in 1910. That year he married Gwendolyn B. Aiken. Mrs. Crosley admired her husband's vision, but wondered about his future direction. Crosley continued to view the car as the future of personal transportation. Over the next five years he made several attempts at starting businesses, one being a motorcycle sidecar company, but the Crosley automobile remained a dream. He did succeed in becoming a father, however, with Gwendolyn giving him two children.

In 1916 Crosley went to work for the American Automobile Accessory Company. Here his inventiveness produced a host of successful aftermarket products. He aggressively pursued mail-order sales and was so successful he was able to buy the company in 1917. Crosley had found his niche, and by 1918 his booming mail-order business was grossing

Anthony Young (mopar@qwik.com) is a freelance writer based in Florida.

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over one million dollars a year. Instrumental to the company's success was Lewis M. Crosley, his brother. Lewis's business acumen would prove a vital asset to Powel's future business efforts.

You're There With A Crosley

When radio broadcasting was in its infancy in 1920, the number of radio manufacturers was few. Vacuum-tube technology was evolving and the cost of manufacture correspondingly high. One of the manufacturers, the Precision Equipment Co. Inc., was also making radios in Cincinnati. In February 1921, Crosley wanted to buy a radio for his 9-year-old son, Powel III. Crosley visited the radio manufacturer and was shocked by the prices; there was nothing affordable for a young boy to listen to.

He immediately set himself to study radio construction and operation. Rather than vacuum tubes, Crosley built a radio using a crystal, something hobbyists had been doing for a number of years. Cost: $35.00. This was still a considerable sum in Crosley's view. Seeing the commercial possibilities of manufacturing an inexpensive radio, he contacted Dorman Israel, a talented amateur wireless operator studying electrical engineering at the University of Cincinnati, who had been written up in *Wireless Age* magazine. He asked Israel to design a crystal radio for the consumer market. Using the manufacturing facilities of a phonograph-cabinet company he had purchased adjacent to his business, Crosley began mass production. The Harko Junior crystal set hit the market within weeks and sold for $20. The Harko Senior vacuum-tube radio followed, and multi-tube radios were added to the line between 1921 and 1922. Crosley realized the key to keeping the cost of his radios low was efficient mass production. He borrowed a page from Ford's methods, implementing concurrent component manufacture and just-in-time component assembly with every radio built. As with most of his other products, he sold them by mail order, but eventually added a dealer network.

Edwin Armstrong had patented the regenerative circuit to boost performance of the vacuum tube, and Crosley didn't have a license to use it. Precision Equipment Company did. Crosley looked at the long-range prospects of radio and concluded it would grow dramatically over the years. He bought the company in January 1923, but kept that radio line separate from those made by the Crosley Manufacturing Company. Since the Armstrong license was not transferable, he changed Precision's name to the Crosley Radio Corporation in 1924 and marketed a greatly expanded line of radios under that name. "You're *There* With A Crosley" was used in all its advertisements.

Shortly after launching the Harco in 1921 Crosley explored the possibility of broadcasting. That spring, he received an experimental license to operate a low-power station from his home. His vision of broadcasting was much larger, however. In March 1922, the Crosley Manufacturing Company was issued a license with the call letters WLW from the Radio Division of the Bureau of Navigation, U.S. Department of Commerce. Broadcast power increased from 200 to 500 watts, then 1,000 watts, until it was broadcasting using 5,000 watts from the company's downtown Cincinnati plant. Charting WLW's growth was technical supervisor James L. Chambers. Like other successful capitalists of his day, Crosley knew it was vital to surround himself with professional talent in the areas of manufacturing, marketing, and management.

By 1925 the Crosley Radio Corporation was the largest radio manufacturer in the world, producing 5,000 radios a day; nearly a thousand employees were on the payroll spread among three plants, according to *Popular Mechanics* in January 1925. In 1927 the company achieved net profits of $3 million on sales of $18 million. One publication dubbed him "The Henry Ford of Radio."

The company continued its expansion throughout the late twenties. A six-story addition was built next to the existing four-story main plant, and an eight-story addition was built in 1929. On the eighth floor were located the lavish WLW studios, and by now the station was a 50,000 watt powerhouse. With the transmitter located outside Cincinnati in Mason, Ohio, the live broadcasts could be

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heard as far away as Jacksonville, Florida, and Washington, D.C.

Crosley was not heavily invested in the stock market prior to the crash in 1929, choosing instead to invest in his own company. He had diversified into major appliances, particularly refrigerators that, like his radios, he could price below his competitors. During the Depression he was able to keep his plants running and workers employed. His strong cash position allowed his company to ride through relatively unscathed. In fact, he was able to expand. He continued his innovative methods. In 1930 Crosley entered the National Air Race from the west coast to Chicago, and from a transmitter built into the plane became the first station to broadcast from an aircraft. That same year Crosley introduced the first car radio, called the "Roamio." These were sold as aftermarket products and installed in thousands of cars. Car manufacturers soon realized they should offer a radio as an option.

The Nation's Station

Ever since Crosley had launched WLW he had relentlessly pursued more broadcasting power. In 1932 he conceived a plan to make WLW the most powerful radio station in the world. It was an order of magnitude that no other station had even dreamed of. What Crosley had in mind was boosting the station's power to 500,000 watts. The two overarching questions were: was it technologically feasible? And, could WLW receive a license to broadcast at that power? To achieve this, Crosley had to gather the most experienced minds in broadcasting to study the scope of the project. It required the combined engineering capabilities of RCA, Westinghouse, and General Electric. There were trips to Washington to discuss the license issue. RCA's powerful president, David Sarnoff, backed the ambitious plan. In the end, Crosley pulled it off. In February 1933 RCA, not surprisingly, was awarded the contract to build the world's most powerful transmitter at Mason. Engineering proceeded at amazing speed. Eleven months later the work was finished and tests began.

Everything about the new WLW facility was big. The broadcast tower was over 830 feet high and weighed 135 tons. The adjacent substation featured a sophisticated cooling system with large outdoor pond and pumps to recirculate over 500 gallons of water per minute. At 9:02 p.m. on May 2, 1934, programming commenced at full power. The broadcasts could be heard clear to central Europe and South America.

Amidst all this activity Crosley realized another dream. In February he had purchased the Cincinnati Reds from owner Sidney Weil who had lost much of his wealth after the Wall Street crash. As a means of boosting game attendance, Crosley secured permission from the baseball commissioner to hold seven night games at the renamed Crosley Field. On May 24, 1934, under the blaze of 632 lights, over 20,000 fans witnessed the first nighttime game in baseball history between the Cincinnati Reds and Philadelphia Phillies. The average evening-game attendance more than quadrupled the daytime attendance, dramatically improving the team's cash-strapped position. And once again, Crosley set a precedent that was emulated by others.

Crosley's firsts continued. In 1933 he had introduced the "Shelvador" line of refrigerators with shelves in the door, and other manufacturers later followed suit. In 1934 he secured Procter & Gamble as a sponsor of his daytime serial programming. With their radio spots of laundry detergent, the programs became known as "soap operas." However, the Crosley Radio Corporation lost its top position in the market thanks to more than 60 other competitors, from Atwater Kent to Zenith.

New Directions

The dream of building his own line of cars never left Crosley. He felt there was still a need for an economical and affordable car, even while America's economy floundered. In 1939 Crosley introduced the first compact car to America. It had an 80-inch wheelbase, a diminutive 39-cubic-inch engine, and a price tag between $325 and $350. You could order one through any Crosley appliance dealer—a

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rather novel approach. The cars were manufactured, of course, in Ohio. When gasoline rationing was declared with the outbreak of World War II, the only drivers smiling were Crosley owners, who could boast of getting 30 miles per gallon. Like all other car manufacturers, Crosley ceased production for the switch to war materiel.

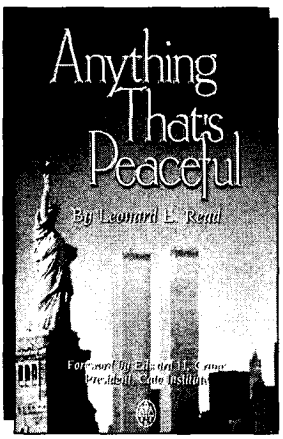
In 1941 Crosley's company was one of only five selected by the U.S. Navy to manufacture the proximity fuses used in shells fired from ships to destroy attacking aircraft. At peak production the Crosley Corporation employed 10,000 people, with three shifts working around the clock to manufacture 16,500 fuses a day.

Automobile production resumed at the end of the war, and production of the company's other appliances rose in the postwar economy. With the emergence of television Crosley pioneered the first portable TV, which became the best-selling set in the industry.

Crosley died in 1961, but Crosley major appliances—and radios—are still manufactured today and sold through a nationwide network of independent distributors.

In 1991 Crosley's former estate, *Seagate,* overlooking Sarasota Bay in Florida, was purchased by the Manatee County Commission to preserve the home and establish the Powel Crosley Museum of the Entrepreneur. In affiliation with the University of South Florida and Manatee Community College, degree programs in entrepreneurship are being established. In advance of the degree curriculum, the Museum and the nearby Manatee Convention Center will be the location of the Powel Crosley Entrepreneurial Seminars featuring the world's most prominent business leaders and entrepreneurs.

Crosley succeeded in marketing products to consumers without the long arm of government regulation driving up his costs. He did not have to deal with minimum-wage guidelines, the Americans With Disabilities Act, OSHA requirements, EPA standards, crash and rollover standards, or countless other impediments to bringing a product to market. Nevertheless, the innovative Crosley would no doubt have found ways of doing so despite them. He will remain a role model for all future entrepreneurs. □



Anything That's Peaceful
by Leonard E. Read

"Leonard Read said so much, so well, long before any of us began to try to think clearly about it. How much better would life be if laws were simple—if people were allowed to do Anything That's Peaceful*."*

—John Stossel, ABC News

In his inspiring introduction to this edition, Edward Crane, president of the Cato Institute says, "*Anything That's Peaceful* is a classic, compelling statement of the political philosophy of libertarianism." What is that philosophy? At its most succinct, it's this: "Let anyone do anything he pleases, so long as it is peaceful: the role of government, then, is to keep the peace." This is Read in a nutshell. In this work Read analyzes the many harms socialism causes. He discusses the wonders of the free market and he tells his justifiably famous tale, "I, Pencil." As well as any of our books, *Anything That's Peaceful* captures the philosophy of freedom that FEE strives to promote.

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CAPITAL LETTERS

Two Libertarianisms

To the Editor:

Jim Peron, in "Are There Two Libertarianisms?" (June 2001), sees moralism and consequentialism as two sides of a coin. He writes, "A free society is not only right but it works." Surely there is mutual support between them. Nonetheless, there is a fundamental divide as to primacy. Moralism aims at enhancement of the inner man, while consequentialism seeks material welfare. Moralism operates through conscience, while consequentialism operates through utilitarian needs. The former recognizes our inalienable rights; the latter does not. To not grasp such fundamental differences, but to only see their joint advantage, paints Mr. Peron as a consequentialist. Yet let us note that even if one were a consequentialist, he should advocate moralism. No one will go to the barricades to increase his material benefits. Only moralists will pledge "our Lives, our Fortunes, and our sacred Honor."

—ALLEN WEINGARTEN
Morristown, N.J.

Jim Peron replies:

I think Mr. Weingarten has missed the point I was making. I do not think that there is just a mutual support between moralism and consequentialism, but that the two are virtually one and the same thing just looked at from different angles. Certain positions are moral, while others are immoral, precisely because they lead to specific results. Those results rest on the nature of reality and are thus beyond human control. If we lived in a different reality where socialism led to prosperity and human rights, while capitalism did the opposite, then socialism would be the moral alternative between the two. Surely the results are crucial in determining the morality of an action.

Should Children Be Denied the Fruits of Civilization?

To the Editor:

It was a pleasure to read Aeon Skoble's "It Just Ain't So!" in the July *Ideas on Liberty*. As Professor Skoble rightly pointed out, people have a right to dispose of their legitimately acquired property in any way they choose, and an inheritance tax infringes on that right.

I would add to Professor Skoble's argument just one point. The notion that children should not receive the benefit of whatever their parents worked to accumulate is akin to forcing children to reinvent the wheel. Why should everyone have to start over at ground zero? Part of the point of civilization is that its progress can be given to its inheritors, so that they can start with a leg up over the previous generations. It seems absurd to want them to start from scratch all over again.

Look at the same point another way: If we don't want some children to enjoy the inherited benefits of wealth that other children cannot, then why should we let them enjoy other benefits? Shouldn't we also bar the use of medical treatments that previous generations have made available? After all, some will have access to life-saving medicines that others will not; so perhaps all such medicines should be banned. Similarly with other technologies—like automobiles, televisions, telephones, faxes, computers—for some will inevitably have nicer ones than others. Indeed, to be perfectly fair to all and to ensure that no one enjoys any benefit that he did not personally earn, perhaps we should raze all cities, stamp out all civilization, burn all books, and return all humans to the field or the bush alone so that they can survive or not on their own.

I hope the absurdity of this is clear. Not only do we have a right, as Professor Skoble argues, to pass along to our children what we have earned, but inheritance indeed contains the accumulated knowledge and blueprint of

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civilization; we imperil our children if we withhold that from them.

—James R. Otteson
(jotteson@philos.as.ua.edu)
Department of Philosophy
University of Alabama

Copyright by Contract?

To the Editor:

Regarding Ilana Mercer's article, "Rights in Ideas Infringe Rights in Tangible Property" (July), copyright and patent should be distinguished. Murray Rothbard, in *Man, Economy, and State,* points out that copyright is consistent with a free market but patent is not, for if several people independently create similar work, each can copyright it, whereas a patent bestows rights only on the first patent holder. A seller, Rothbard says, has a natural right to place limits on a product's reproduction and sale via a copyright, which is tantamount to a contract that the buyer agrees to. Since the buyer knows this up front, there is no intimidation, force, or coercion, nor any wealth redistribution as Mercer alleges. Actually, similar limitations are common in free markets. Renters often agree not to sublet. Buyers buy property with restrictive covenants. Flyers buy flights that restrict their actions aboard the aircraft.

Granted, the state has fouled up copyright law and its administration, overstepping its proper bounds, as Mercer asserts. But in a libertarian society, I predict copyright law would survive.

—Michael S. Rozeff
University at Buffalo
Buffalo, New York

Ilana Mercer replies:

When I buy a book under the Rothbard bundle-of-rights idea, I own the tangible book, but I purchase with it the obligation not to reproduce it. Imagine a bundle of rights we call property from which we tease out and separate "the right to copy." This right is retained by the original producer. As intellectual property scholar Tom Palmer deftly points out, however, if the producer can retain the right to copy, the same must apply, for instance, to the right to remember.

While contracts bind only parties to the agreement, this arrangement binds any and all. How did Rothbard justify extending an ostensible copyright contract to third parties? A third party who stumbles on the book is bound by copyright because, in his words, "no one can acquire a greater property title in something than has already been given away or sold."

Stephan Kinsella points out that this error is the outcome of Rothbard's unusual straying from the Lockean principles of homesteading and from scarcity as the hallmark of property. As Kinsella and Palmer note, it is occupancy, and, in particular, the first-occupancy homesteading rule that confers ownership over tangible things. As my article pointed out, intellectual property law allows a distant stranger—the writer of the book or the inventor of a mousetrap—to partially homestead the property of others. This "second homesteading rule" conflicts with the first. To assert a property right over a process or idea is invariably to claim a right over the liberty and property of others. Conversely, as Palmer writes, "Property rights in tangible objects do not restrict liberty at all—they simply restrain action."

We will print the most interesting and provocative letters we receive regarding *Ideas on Liberty* articles and the issues they raise. Brevity is encouraged; longer letters may be edited because of space limitations. Address your letters to: *Ideas on Liberty*, FEE, 30 S. Broadway, Irvington-on-Hudson, NY 10533; e-mail: iol@fee.org fax: 914-591-8910.

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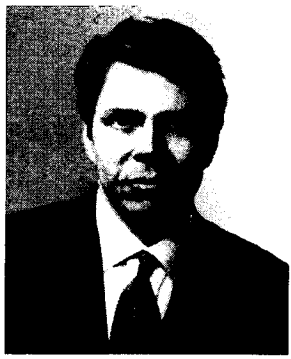
IDEAS ON LIBERTY
OCTOBER 2001



Simplistic Anwers

We've all been warned to beware of people who think that they have all the answers—who believe themselves to hold the key to Truth—who have a simplistic formula alleged to be the solution to all of the world's problems.

It's wise to heed this warning, for regrettably, people with simplistic answers are not uncommon and they frequently wear masks that make them appear to be deep, careful, and open-minded thinkers. Worse, when they are given power they become dangerous to others in direct proportion to their power.

But here I have a confession to make: in the past I've often felt pangs of guilt stemming from my own uncompromising advocacy of free markets. I agree completely that sweeping, simplistic "answers" to society's ills are toxic, for they are never really answers. People issuing such "solutions" are, at best, naïve romantics blind to the immense complexity of reality—a complexity so deep and unfathomable as to defy any attempt at simplistic description or reform.

And yet I routinely issue the seemingly simplistic advice to rely on the market. Am I guilty of the same sin of hubris that I lay at the feet of central planners and other statists and utopians? Is my enthusiastic endorsement of the market just as arrogant, careless, and unthinking as are statists' proposals to remake the world? Am I a simpleton with simplistic answers?

Donald Boudreaux (dboudrea@gmu.edu) is chairman of the economics department of George Mason University and former president of FEE.

I believe not.

I deny the equivalence between uncompromising advocacy of the market and advocacy of statist schemes not because I stubbornly and hypocritically believe that *my* blueprint for remaking reality is the One True Answer. Rather, I deny the equivalence because, unlike those who would substitute state regulation for the market, I have no blueprint for reality. I reject the very idea of blueprints for society. I deny that some genius or committee of geniuses can use coercion to outperform the market at satisfying human wants.

It's important not to judge the equivalence or difference between various policy proposals by the number of words used by advocates. Think, for example, of the many proposals for further socializing health care in the United States—with Hillary Clinton's plan of several years ago being the most well known. These plans seemingly are careful and considered. They contain lots of words composed by lots of people who've spent lots of time in school and who read lots more books than average folk do.

Compare such plans to my own recommendation: let the market handle health care. Have government involved only in the same way that it's involved in vegetable gardening, doorknob manufacturing, and the production of *Ideas on Liberty*—namely, protect persons and property from violence and theft. Period. That's it. Nothing more.

My plan sounds simplistic. And because I offer it for every facet of the economy, I might be accused also of being a knee-jerk ideologue with simplistic answers—one who

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believes in a one-size-fits-all solution to very different problems.

The reality is quite the opposite. Saying "let the market handle it" actually is to endorse an unfathomably complex arrangement for dealing with the issue at hand. Recommending the market over government intervention is to recognize that neither he who recommends the market nor anyone else possesses sufficient information and knowledge to determine or even to foresee what particular methods are best for dealing with the problem.

To recommend the market is, in fact, to recommend letting millions of creative people, each with different perspectives and different bits of knowledge, each voluntarily contribute his own ideas and efforts toward dealing with the problem. It is to recommend not a single solution but, instead, a decentralized *process* that calls forth myriad competing experiments and, then, discovers those solutions that work best under the circumstances. This process is flexible and it encourages creativity. It also denies to anyone the power to unilaterally impose his own vision on others.

In short, to say, "let the market handle it," is to say, "I have no simplistic plan; I *reject* all simplistic plans. Only a competitive, decentralized institution interlaced with dependable feedback loops—the market—can be relied on to discover a sufficiently complex and detailed way to handle the problem in question."

The most elaborate concoction of the minds of the finest Ivy League scholars, written in minute and lengthy detail, is a tiny clump of dirt beside the Everest that is the stock of creativity and knowledge used by the market to deal with even routine problems.

I refer the reader again—as I do so often—to Leonard Read's brilliant essay "I, Pencil" (available on-line at www.fee.org/about/ipencil.html). Suppose someone were to ask me, "What can we do to ensure a steady supply of inexpensive, high-quality pencils?" My response would be unambiguous: "Leave it to the market." As Read's essay shows so clearly, this response is no simplistic mantra. It is, rather, a shorthand way of saying, "Producing pencils is a task of gargantuan complexity. No one can know more than a minuscule fraction of all that there is to know about how to achieve this outcome. To get a steady supply of pencils requires that each person throughout the globe whose creativity, knowledge, and effort might prove useful in the production of pencils be encouraged to contribute this creativity, knowledge, and effort in a coordinated way. We know from vast amounts of experience that the market calls forth and coordinates this creativity, knowledge, and effort far more reliably than do government regulators. Therefore, if you want a steady supply of high-quality pencils, you'd better avoid the simplistic 'solution' of turning the task over to the state."

Perhaps the single most magnificent fact about life in a market economy is that each of us benefits from the creativity, knowledge, and efforts of the millions upon millions of our fellows. And to receive these benefits, all that we must do in our capacity as citizens is to respect the property rights and peaceful choices of others—which entails being on guard against people with simplistic answers. It's really quite simple. □

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BOOKS

Human Action: A 50-Year Tribute

Edited by Richard M. Ebeling

Hillsdale College Press • 2000 • 305 pages • $9.95 paperback

Reviewed by Bettina Bien Greaves

For years Hillsdale College has published annual anthologies in honor of Ludwig von Mises. In the beginning these were slim volumes, consisting only of addresses made at the college by visiting dignitaries. Since Richard Ebeling joined Hillsdale's economics faculty and became editor of this series, however, each volume has contained serious economic papers and been an important contribution to economic literature. The current volume, number 27 in the series, is a tribute to Mises's major economic work, *Human Action*.

The lead paper is by Ebeling himself and is in effect a small book, about a hundred pages with footnotes. It is a masterful presentation of the Misesian-Austrian theory of the business cycle, amplified by descriptions of the contributions to the theory by Knut Wicksell, Eugen Böhm-Bawerk, and F. A. Hayek. Ebeling explains the theory still further by critiquing the cyclical theories of non-Austrians, notably John Maynard Keynes. And in a later paper in this same volume, Ebeling critiques the theory of Mises's contemporary Joseph Schumpeter, who sought to explain the trade cycle as due to the innovations of entrepreneurs financed by "abnormal credit." Even those familiar with Mises's business-cycle theory will profit from Ebeling's clear explanation and his critiques of anti-Misesian doctrines.

Robert W. Poole Jr.'s "Human Action as a Guidebook to Modern Public Policy" offers hope to libertarians. Students of the free market have always found it easy to criticize government programs and to describe a laissez-faire society with a properly limited government. But when asked how to get from here to there, they hesitate. Poole offers a step-by-step program. First, educate. And then use Fabian gradualist tactics in reverse. After World Wars I and II, collectivism was riding high in England; important industries were nationalized and national health care was expanded. The economy languished and living standards declined. However, Hayek's *The Road to Serfdom* (1944) and the establishment of the Institute of Economic Affairs and Adam Smith Institute began to open British eyes. Prime Minister Margaret Thatcher privatized millions of public housing units by selling them to their occupants, gave shares of stock to the workers in some state-owned industries, and sold stock in others, turning many individuals into private investors. The economy began to revive.

In this country also, free-market think tanks are beginning to have an impact. Ambulance operations, zoos, and garbage pickups have been privatized. The city of Indianapolis has privatized over 70 services, including the airport and two large, complex wastewater plants. Milwaukee, with a socialist mayor, privatized its wastewater system, and Democratic mayors in Atlanta and Birmingham, Alabama, have privatized their water systems. Thus the path from here to there proceeds step by step. However, when the supposedly "deregulated" California power industry has "price caps" on what it may charge customers and governments place obstacles in the path of California firms seeking to expand production to serve their customers, much educational work remains.

According to Leland B. Yeager, in his paper "The Moral Element in Mises' *Human Action,*" Mises has drawn his share of criticism for his utilitarianism, even from some of his own disciples. However, Yeager explains that Mises's utilitarianism has nothing to do with the crass, materialistic utilitarianism that has attracted the scorn of critics. For Mises the ethical question is always: Does an action support or undercut social cooperation, which is essential for the happiness of society's members? According to Yeager, Mises "did not reject natural law in the scientific sense; and he did not reject natural law and human rights as ethical precepts. . . . What Mises rejected was the exaggerated, foundationalist,

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almost mystical status that some writers have accorded to them. . . . Precisely because human rights and human dignity are important values, they deserve a more solid grounding than mere intuitions reported in noble-sounding language." To illustrate, Yeager quotes from the writings of natural righters such as Murray N. Rothbard, Larry J. Eshelman, and Hans-Hermann Hoppe.

The other contributors to this volume include Gene Epstein, Gleaves Whitney, George Roche, Charles Murray, Hans F. Sennholz, Israel M. Kirzner, Roberto Salinas-León, Sanford Ikeda, and Karen Vaughn. Each of the papers helps the reader gain a better insight into some aspect of Mises's life, work, and *Human Action*. This book is well worth reading. □

Bettina Greaves served FEE for more than four decades as a senior staff member and resident scholar. Now a resident of North Carolina, she is a member of FEE's Board of Trustees.

Total Freedom:
Toward a Dialectical Libertarianism

by Chris Matthew Sciabarra

Penn State Press • 2000 • 496 pages • $65.00 cloth; $24.00 paperback

Reviewed by James Otteson

This book is the third in a trilogy from Chris Matthew Sciabarra. The other two were his *Marx, Hayek, and Utopia* (SUNY, 1995) and *Ayn Rand: The Russian Radical* (Penn State, 1995). The project of *Total Freedom* is to encourage a "dialectical approach to libertarian social theory." About half of the book is dedicated to working out what "dialectical" means here, and what such a theory would look like; another large portion is dedicated to an investigation of Murray Rothbard's writings; and the remainder is dedicated to showing how various "classical liberal," "libertarian," and "anarcho-capitalist" thinkers have contributed to the "dialectical" project Sciabarra thinks is necessary if "total freedom" is to be more than just an academic project.

Sciabarra says that he envisions his book not as providing a comprehensive dialectical libertarian social theory, but rather as articulating a "metatheoretical foundation upon which to build such a theory;" he sees the various parts of this book as successive attempts to push "the radical project out on a dialectical-libertarian limb." What Sciabarra is working toward is the integration of disparate strands of libertarian thought into a single, coherent project, and he contends that this union will strengthen both the parts and the whole. In this way he hopes to increase the chance of creating an actual world of "total freedom," that is, one based on voluntary exchange in all things—including "goods, services, and ideas"—and with no entities—including in particular the state—initiating force against others.

Sciabarra's discussion of "dialectic" in Part One is meticulous. He sees "dialectic" not in the Marxian sense of a material process mechanically producing the future based on the past, but rather as a process of thought that can lead individuals to discover truth by engaging and relying on the thought of others. Sciabarra's dialectic is an Aristotelian "orientation" in thinking that is chiefly characterized by an "emphasis on context." It avoids static, apriori thought and is marked instead by dynamic "this-worldly analysis" applied to problems "that are real, concrete, important to our survival as *humans,* not as gods or goddesses." Although Sciabarra's discussion strikes me as sometimes overly reliant on jargon—as do the writings of many of the people to whom Sciabarra appeals, such as Marx, Hegel, Gadamer, and Habermas—I think the substance of Sciabarra's idea is that the world is a single "organic whole," and therefore investigation into it should not proceed as if it were made up of entirely separate atoms. It should proceed instead by alternately delving into various aspects of the whole, and then comparing the respective results. Sciabarra's project is thus an attempt to lay the groundwork for a grand unification theory for a social science dedicated to human freedom.

That is an ambitious and laudable agenda in a world where the boundaries of freedom are shrinking. One might question whether all of

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Sciabarra's investigation into "dialectic" is necessary, however. His lengthy discussions of key philosophers, along with an enormous number of their critics, defenders, and expositors, introduce many questions that cannot reasonably be addressed in the book and are somewhat distracting from the overall project.

Part Two is a critical intellectual biography of Murray Rothbard and his writings. Here again Sciabarra works with great care, exhibiting an impressive command not only of Rothbard's works but of commentary as well. Rothbard's works manifest just the kind of dialectical sensitivity Sciabarra seeks. Rothbard, he argues, was able to envision a libertarian utopia and to base this vision on a plausible conception of human nature; and he spent his life working out in detail the multifaceted ways they relate to one another.

Thus Rothbard "dialectically" investigated both the whole and the parts, and attempted to integrate them in just the way Sciabarra is calling on contemporary libertarian scholars to do today. Indeed, Rothbard is perhaps for Sciabarra the Platonic Form of libertarian scholar: he synthesized the work of those before him, as well as those in his own time; he worked by turns on narrow, specialized topics and on holistic, comprehensive projects; and viewed as a whole his scholarly corpus presents a virtually completed social science of human freedom showing that the "total freedom" Sciabarra advocates is both possible and practicable.

The final part of the book is in some ways the most interesting. Sciabarra discusses a number of contemporary libertarian scholars working from very different background assumptions—including George Reisman, Tibor Machan, Peter Boettke, Don Lavoie, and Stephan Kinsella—and shows how they, whether knowingly or not, can be seen as participating in the dialectical project he has been advocating. He weaves their individual projects together in an ingenious way.

Sciabarra's book succeeds in taking a large step indeed toward fulfilling his goal of enabling a "full-fledged, integrated, dialectical case for individual liberty." □

James Otteson is a professor of philosophy at the University of Alabama.

What Government Can Do—Dealing With Poverty and Inequality

by Benjamin I. Page and James R. Simmons

University of Chicago Press • 2000 • 309 pages • $29.00

Reviewed by Martin Morse Wooster

One of the major triumphs of liberty in the 1990s was in welfare reform. In the 1980s, scholars—notably Charles Murray—who contended that welfare demeaned those who accepted it and ensured lifetimes of dependence on the dole were condemned as mean-spirited extremists. But that view is now the consensus.

Although socialists are in retreat, they have not been totally routed, as political scientists Benjamin I. Page and James R. Simmons show in *What Government Can Do*. Page, who teaches at Northwestern, and Simmons of the University of Wisconsin (Oshkosh) have prepared a treatise that provides comfort to the statist and a bitter pill for lovers of freedom.

"We find," they write, "that government can act effectively and that it can do so in ways that can serve economic efficiency, contribute to economic growth, and preserve individual liberty, while at the same time reducing poverty and enhancing equality."

Page and Simmons support all of the programs created during the New Deal and the Great Society. They argue that the problems of the welfare state can be solved by raising taxes on the wealthy and then channeling the additional taxes into expanded welfare state programs. Except for farm subsidies to large corporations, they would maintain or expand all welfare programs.

In the authors' view, the solution to every social problem is to give the government more money. Social Security and Medicare's impending bankruptcy? To them, that's an accounting fiction that can be fixed by raising Social Security taxes on the well-to-do. Collapsing schools? Teachers aren't paid enough. People on the dole for decades? Raise the amount they are given.

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Moreover, Page and Simmons want to expand the welfare state in two areas. They consider, and reject, the notion of a guaranteed national income, but support a national "right" to housing, health care, and food. They call for Washington to establish a "food card" so that everyone from Bill Gates to a homeless drunk will be entitled to a food ration. They also want the government to establish a network of medical clinics for the poor, as a prelude to nationalized health care. It's unabashed old-style socialism.

The authors also want the state to reduce income inequality through punitive taxation on the rich. "Everyone should be helped to have the *same expected future income at every point in life*," they write.

But the evidence Page and Simmons use to advance their case is the research of other political and social scientists. This leads to a book so dull that the authors frequently tell their readers to skip over large sections.

Their citations are, of course, selective. They claim that Head Start is a resounding success, using as evidence two small decades-old studies that have never been replicated. They claim that teachers would be eager to work in inner-city schools if they were paid more, but they ignore the mountain of evidence (collected in such books as Susan Moore Johnson's *Teachers at Work*) that most teachers quit not because of pay, but because of mind-numbing bureaucracy.

Page and Simmons contend that the poor primarily suffer from a lack of income. But if the problems of poverty were only about money, we would have conquered poverty decades ago. As the old joke goes, we fought a War on Poverty in the 1960s—and poverty won. That's because the problems of the poor are primarily moral and spiritual, not economic. A government check cannot teach a poor person to dress for a job interview, or how to show up for work every day, or how to refrain from insulting the boss on the job.

As for inequality, as Michael Novak argues, it's better to make the poor richer than the rich poorer. One way to do this is to remove regulatory barriers that prevent the poor from starting their own enterprises and keep them from obtaining employment. Alas, it never occurs to the authors that less government might enable the poor to succeed without state coercion. And they never trouble themselves to discuss nongovernmental alternatives or the terrible disincentive problems of the welfare state.

What Government Can Do is a weak and unpersuasive book that inadvertently shows that less government, not more, is the best way to help the poor become responsible, productive, and prosperous. □

Martin Wooster is an associate editor of The American Enterprise *and the author of* Return to Charity: Philanthropy and the Welfare State.

Reckless Legislation: How Lawmakers Ignore the Constitution

by Michael A. Bamberger

Rutgers University Press • 2000 • 224 pages • $32.00

Reviewed by George C. Leef

Legislators have been enacting laws that trample on constitutional rights for a long time. The United States had barely entered the nineteenth century when Congress gave us the Alien and Sedition Acts, for example, a blatant attack on the right of free speech. And they have been at it ever since. Rare indeed is the elected official who will vote against proposed legislation thought to have widespread appeal among voters just because he knows that it's unconstitutional.

In *Reckless Legislation*, attorney Michael Bamberger has written a useful book on the phenomenon of unconstitutional lawmaking. He regards it a "dereliction of duty" for legislators to pass politically popular bills with little or no regard to their probable constitutional defects, and rejects the common excuse that it is the job of the courts to decide whether legislation is unconstitutional. Punting constitutional questions has, Bamberger argues, politicized the courts "by transferring many of the most contentious political and social issues of our times to the courts for resolution." If the law is struck down, its champions then complain about "judicial activism."

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Judicial activism is nothing to complain about as long as the judges have their principles right, but often they don't. Even when the case has a good outcome, however (that is, the attack on people's rights is declared null and void), there is the problem of the cost of fighting to uphold those rights. Bamberger correctly observes that once the government has enacted the unconstitutional legislation, the cost of battling to have it overturned usually falls on private parties, who must confront the bottomless pit of government legal resources. The cavalier "we'll just let the courts decide" attitude is one that imposes significant burdens on the affected people.

A good example Bamberger gives is the war over anti-obscenity laws that has raged in several cities, including Indianapolis and Minneapolis. Local governments, following the arguments of militant feminist law professor Catharine MacKinnon, enacted prohibitions on the sale of anything "pornographic," on the grounds that somehow inanimate objects can "discriminate against women." When the obvious question of constitutionality was raised, who was invited as the legal expert on the matter? Naturally, MacKinnon herself. The ordinances were swiftly struck down in the courts. City council members got to feel good and probably enjoy some political benefits for having tried to "clean up the city," while the costs were borne by others.

The book disappoints, however, in that it doesn't hit at the major-league assaults on our constitutional rights, such as the Frankensteinian Americans With Disabilities Act; rather, Bamberger strains to fill the book up with insignificant little gremlins. For example, he devotes part of a chapter to a Missouri abortion defunding case.

The Missouri legislature, in a fight between pro-life and pro-choice factions, voted to keep state funds from going to Planned Parenthood. Bamberger looks at the case as an unconstitutional instance of "punishing" an organization for its views. But government funding is not a right, and a decision not to continue to provide it is not "punishment." Our jurisprudence is in a sad state when legislatures can't vote to stop squandering the taxpayers' money.

Bamberger suggests several remedies—advisory opinions from the courts, expedited review, suits for declaratory judgment, and bringing test cases—and finds that none is more than a slight palliative. The only real solution, he maintains, would be for legislators to take their oaths of office seriously and stop enacting laws with obvious constitutional defects. I couldn't agree more, but as Milton Friedman once said in another context, "That's like asking for water that runs uphill." □

George Leef is book review editor of Ideas on Liberty.

The Ten Things You Can't Say in America

by Larry Elder

St. Martin's Press • 2000 • 367 pages • $23.95 cloth; $14.95 paperback

Reviewed by William H. Peterson

There is hope yet for America. Larry Elder is a host of a successful talk show on KABC Radio in Los Angeles and a nationally syndicated columnist who wins the imprimatur of a major book publisher to carry a big message. As a black libertarian, he is also a breath of fresh air in his courage and plain speaking.

Elder is even something of a firebrand. Here he daringly takes on the Fortress America of Political Correctness on and off the campus, in and out of the mainline media, from and to the church pulpit. And so he assails ten supposedly unassailable yet monumentally politically correct paradigms. Here are his topics: 1. Blacks Are More Racist than Whites; 2. White Condescension Is as Bad as Black Racism; 3. The Media Bias: It's Real, It's Widespread, It's Destructive; 4. The Glass Ceiling—Full of Holes; 5. America's Greatest Problem: Not Crime, Racism, or Bad Schools—It's Illegitimacy; 6. There Is No Health-Care "Crisis"; 7. America's Welfare State: The Tyranny of the Statist Quo; 8. Republicans Versus Democrats: Maybe a Dime's Worth of Difference; 9. The War

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Against Drugs Is Vietnam II: We're Losing This One, Too; 10. Gun Control Advocates: Good Guys with Blood on Their Hands.

Those are indeed things that can't be said in most circles, but Elder argues his points with great assurance. He says out loud what Americans only whisper at the kitchen table, on the shop floor, or at the water cooler. Something has gone wrong.

We have become, he maintains, a nation of whimpering people who won't take responsibility for our own actions, but furiously rage that the problem is always someone or something else.

Here's a choice cut of Elder's rhetoric: "We've become a nation of 'victicrats'. . . . The glass ceiling? Nonsense. Hate crimes? All crimes are hateful. O.J. Simpson? He did it, and his defense team shamelessly used the black victicrat mentality to escape conviction."

Let's focus on just two of his "ten things." First, take his argument that the War On Drugs amounts to Vietnam II—that we're mired in a bloody and foolish conflict that can't be won.

Why, he asks, is it all right for his next-door neighbor to come home and have a martini—but a serious criminal offense to come home and smoke a joint?

Drugs, he admits, can kill, but so can alcohol. And so does tobacco, in far larger numbers. Ditto for overeating. The moral question is who is accountable to whom? Who should take responsibility—the individual or the Nanny State? Elder, of course, can't abide the latter.

Second, what about those "holier than thou" gun controllers? For all their talk about child safety locks and "sensible" gun registration and licensing requirements, Elder asks if their ultimate aim isn't the confiscation of privately owned weapons. Bare fists or mace won't do when an attacker has a gun. Elder believes you have the right to decide what sort of personal defense to own and use while the controllers think they are entitled to make that choice for you. He notes that New York has issued concealed weapons permits to Donald Trump, Laurence Rockefeller, and Howard Stern. Well, what about the baker in Queens? Or for that matter, women anywhere who are worried about violence?

Books by talk-show hosts tend to be unscholarly, but not this one. Elder has done his homework. *Ten Things You Can't Say in America* is heavily documented, with many graphs and tables.

Larry Elder's book is a triumph of common sense, with enough nerve to shake up the dreary statist quo. It is a passionate plea for limited government and personal responsibility. Let us hope to hear more from him. □

Contributing editor William Peterson is an adjunct scholar at the Heritage Foundation.

The Satanic Gases: Clearing the Air about Global Warming

by Patrick J. Michaels and Robert C. Balling

Cato Institute • 2000 • 224 pages • $10.95 paperback

Reviewed by Bonner Cohen

"There's no question that global warming is a real phenomenon, that it is occurring," EPA administrator Christie Todd Whitman told the press in February. "And while scientists can't predict where the droughts will occur, where the flooding will occur precisely or when, we know these things will occur; the science is strong there." Whitman is certainly right in saying we're in store for more droughts and floods. They have always been with us, and they always will be. But whether they have the remotest connection to global warming is quite another matter.

Whitman is not alone in believing that the world faces an endless chain of climatological calamities—not just more droughts and floods, but more hurricanes and tornados, not to mention melting icecaps and the spread of tropical diseases. Proponents of the theory of global warming have succeeded so well in spreading their message of impending doom that it has become standard fare in the mainstream media and—unfortunately—in the halls of government.

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This is why *The Satanic Gases* is so timely. The book examines the science behind the theory and compares the predictions of changes in the earth's climate with actual observations. Performing this task are two of the nation's premier experts on climate. Patrick Michaels is professor of environmental sciences at the University of Virginia and past president of the American Association of State Climatologists. Robert Balling is the director of the Laboratory of Climatology at Arizona State University.

Human influences on the climate are anything but new. Ever since agriculture began to spread thousands of years ago, humans have been mucking around with the earth and its climate. The perennial long-grass prairie of east central North America, for example, was replaced with annual plantings of corn and soybeans. "Whereas the prairie was a continuous vegetative cover," the authors note, "the replacement crops are seasonal, with bare ground exposed to the sun for half the year, resulting in dramatically different absorption of and heating by the sun's radiant energy." Given how widespread agriculture is, it is revealing that land-use changes are scarcely considered by the computer models that serve as the basis for the policies to address global warming. And it is those models, known as General Circulation Models (GCMs), which have predicted that increased emissions of manmade carbon dioxide, mostly through the burning of fossil fuels, will lead to a potentially dangerous warming of the planet.

The problem is, the authors point out, the models have consistently overstated what scant warming has taken place over the past two decades, if indeed any has taken place. Throughout the debate over global warming, no authority has been cited more often in the media as providing "more proof" of human-induced climate change than the United Nations' Intergovernmental Panel on Climate Change (IPCC). Yet as Richard Lindzen, professor of meteorology at MIT, recently pointed out at a Capitol Hill briefing, the IPCC was created to assist negotiators in the process of furthering the Kyoto Protocol—not to find out the truth about climate change.

Its vested interest in promoting the goals of the Kyoto Protocol has led the IPCC to become more of a cheerleader for curtailing the use of fossil fuels than a source of scientific objectivity. In addition to publishing scary, nonpeer-reviewed "summaries" of the state of climate change, which often bear little resemblance to the findings of its scientists, the IPCC has not leveled with the public on the limitations of its models. As the authors point out, no GCM has ever succeeded in creating a troposphere (the bottom 40,000 feet of the atmosphere) that behaves at all like the observed data of the last quarter of the twentieth century. "In other words," they write, "while the United Nations was promoting the paradigm that the models were 'generally realistic' and using them as the basis for sweeping policy recommendations that could greatly harm United States prosperity, the models were in fact making massive errors that the IPCC was loath to note."

The inaccuracy of the predictions by GCMs is significant for what it tells us about how much we should rely on such models in the future. Michaels and Balling pointedly ask: "[I]f a GCM calculates that the earth currently is several degrees warmer than it actually is, what logical device allows it to make a forecast of future warming?" Those forecasts can spark fears that result in disastrous policies. "More people die from weather-related causes in the winter than in the summer," they note. "And per capita summer mortality is going down, thanks largely to air conditioning; from this perspective, proposals to fight global warming in ways that make electricity more expensive appear inefficient, to say the least."

Any rush to judgment is fraught with danger, particularly one based on dubious science and shameless fear-mongering. President Bush's recent decision not to regulate emissions of carbon dioxide and his rejection of the Kyoto Protocol were welcome steps back from the folly into which the global-warming debate threatened to take us. But the fight is far from over. Those wishing to be armed for that fight should read *The Satanic Gases*. □

Bonner Cohen is a senior fellow at the Lexington Institute in Arlington, Virginia.

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IDEAS ON LIBERTY
OCTOBER 2001

Peaceable Conflict Resolution

Scarcity is the condition where human wants exceed the means to satisfy those wants. Human wants seldom reveal their bounds, while the means to satisfy human wants are indeed limited. As a result, scarcity's enduring legacy is conflict, and one of the conflict issues is: who will have use rights to goods and services?

A tiny example of conflict, amongst millions, is California's coastline. California may have thousands of acres of beachfront property, but there might be tens of millions of families who want to reside on those beachfront properties. Given that there is not enough to satisfy the wants of all of those tens of millions of families, some will have to make do with their wants not being satisfied. It also means there will be conflict, namely who will have their wants satisfied and who will not.

Whenever there is conflict there must be conflict resolution, in our example a mechanism for deciding who will have the right to reside on beachfront property. It so happens that conflict is resolved through the market mechanism. Whoever is willing and able to bid the highest price wins the right to reside on beachfront property. The conflict is resolved so peaceably that it goes unnoticed by the rest of us. There are no demonstrations, court battles, or political lobbying, not to mention armed conflict by people disgruntled by the outcome.

Walter Williams is the John M. Olin Distinguished Professor of Economics at George Mason University in Fairfax, Virginia.

The market mechanism is not the only way to resolve conflict. Another method of conflict resolution is government fiat, where the state decides who has the right to reside on beachfront property. Government officials could employ criteria such as age, family composition and size, length of state citizenship, or most anything else.

Because it is not economic criteria that decide who has the right to reside on beachfront property, of necessity it must be noneconomic criteria. As such, it will pay people to organize and lobby government to use criteria that favor them most. Homogeneous groupings are often the most effective coalitions to lobby politicians and government officials. These groupings may be based on class, race, religion, region, age, and most any other noneconomic attribute. Coalitions created on these bases have been some of the most violent and divisive known to mankind.

Government Increases Conflict

When government decides who gets what, the potential for open conflict is enhanced. In contrast, the market mechanism reduces that potential. People have intense preferences for many goods and services. For example, some people have a strong preference for Ford cars, while others have just as strong a preference for Volvos. However, we have never seen those with Ford preferences picketing Volvo sales offices and vice versa. Persons with preferences for Fords buy Fords, and those with preferences for Volvos buy Volvos. Con-

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flict between Ford lovers and Volvo lovers could easily be produced by having government decree that either Fords or Volvos will be produced, but not both.

If one were asked to identify the areas of greatest conflict in America, and for that matter anywhere else, it would be where government decides who gets what and how things are done. For example, many parents have intense preferences regarding the schooling of their children. Some parents want their children to have a morning school prayer, while other parents find prayers in school intensely offensive. When there is public financing and production of education, there will be either prayers said or no prayers said in school. One set of parents will not have their preferences realized, resulting in increased potential for conflict. The courts, Congress, and street demonstrations have been the venues for that conflict.

The market mechanism might reduce conflict over prayers in school simply by recognizing that while some have argued the possibility of a case for public financing of schools, there is no case whatsoever for public production of schools. Thus by giving each parent with school-age children a voucher the parent who prefers prayers in school would send his child to such a school, while the parent who finds school prayers offensive would send his child to a school with no prayers. The parents, instead of being antagonists, could be friends and have their school preferences mutually accommodated.

Interestingly enough the people in our society who protest the most mightily against conflict and violence are the very ones calling for increased government resource allocation, which contributes to the potential for conflict and violence. They fail to recognize or even contemplate why our nation, with people of every race, ethnic group, and religion, has managed to live relatively harmoniously, while in their countries of origin people of the same groups have been trying to slaughter one another for ages. A good part of the answer is that in the United States it did not pay to be a Frenchman, a German, a Jew, a Protestant, or a Catholic. The reason it did not pay was that for most of our history government played a small part in our lives. □

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"There is no such thing as an 'excessive' advocacy of economic freedom. . . . Men must choose between the market economy and socialism. . . . Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion."

—LUDWIG VON MISES (1881-1973),
Socialism (epilogue)

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